

## S U M M A R Y

### AUDITED ANNUAL REPORT OF THE COMPANY GORENJE, D.D., AND OF THE GORENJE GROUP FOR THE BUSINESS YEAR 2008



The Management Board of the company Gorenje, d.d.

Velenje, Slovenia, April 2009

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## GENERAL INFORMATION'S

The published **Summary of the Audited Annual Report of Gorenje, d.d., and the Consolidated Annual Report of the Gorenje Group for 2008** complies with the Regulations of the Ljubljana Stock Exchange (Ljubljanska borza, d.d., Ljubljana) and the Securities Market Act.

Gorenje, d.d., has headquarters at Partizanska 12, Si-3503 Velenje. Major changes of information provided in the stock exchange listing prospectus are duly and regularly published on the Ljubljana Stock Exchange electronic information system SEOnet, in the Delo newspaper, as provided by the law, and on the company website at [www.gorenje.com](http://www.gorenje.com).

The 2008 Audited Annual Report of Gorenje, d.d., and of the Gorenje Group was discussed and adopted by the company Supervisory Board at its 25<sup>th</sup> regular meeting on 23 April 2009.

The complete Annual Report can be viewed at the company headquarters every business day between 8 am and 1 pm. The 2008 Audited Annual Report of the parent company and the Group, along with the Auditor's Report, will be forwarded to the national Agency for Public-Legal Records and Related Services, in accordance with applicable regulations.

## AUDIT AND AUDITOR'S REPORT

The 2008 Financial Statements of Gorenje, d.d., and of the Gorenje Group have been audited by the authorised auditor KPMG Slovenija, d.o.o., Ljubljana. The Authorised Auditor made on 6 April 2009 a positive recommendation in relation to the Annual Report of Gorenje, d.d., and the Gorenje Group.

## CONSOLIDATED FINANCIAL STATEMENTS

### 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 1<sup>st</sup> 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	99.98	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.	IG AP, 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 domaćinstvo, d.o.o., Serbia	100.00	HA
52.	Mora Moravia s r.o., Czech Republic	100.00	HA
53.	Gorenje Küchen GmbH, Austria	99.98	HI
54.	Gorenje – kuchyně spol. s r.o., Czech Republic	99.98	HI
55.	Kemis-Termoclean, d.o.o., Croatia	100.00	EES
56.	Kemis BiH, d.o.o., Bosnia and Herzegovina	100.00	EES
57.	Gorenje Invest, d.o.o., Serbia	100.00	HA
58.	Gorenje Gulf FZE, United Arab Emirates	100.00	HA
59.	Gorenje Tiki, d.o.o., Serbia	99.982	HA
60.	GEN-I Zagreb, d.o.o., Croatia	24.67	EES
61.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.17	EES
62.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	49.344	EES
63.	Gorenje Istanbul Ltd., Turkey	100.00	HA
64.	Sirovina, a.d., Serbia	51.00	EES
65.	Gorenje T.O.V, Ukraine	100.00	HA
66.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	24.67	EES
67.	GEN-I, d.o.o, Serbia	24.67	EES
68.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.67	EES
69.	ST Bana Nekretnine, d.o.o., Serbia	100.00	EES
70.	GEN-I Budapest, Kft., Hungary	24.67	EES
71.	Kemis, d.o.o., Valjevo, Serbia	100.00	EES
72.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	EES
73.	ATAG Europe BV, Nederland	100.00	HA
74.	ATAG Nederland BV, Nederland	100.00	HA
75.	ATAG België NV, Belgium	100.00	HA
76.	ATAG Financiele Diensten BV, Nederland	100.00	HA
77.	ATAG Financial Sevices BV, Nederland	100.00	HA
78.	Intell Properties BV, Nederland	100.00	HA
79.	ATAG Special Product BV, Nederland	100.00	HA
80.	Gorenje Holding BV, Nederland		
81.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	HA
82.	Gorenje kuhinje, d.o.o., Ukraine	69.986	HI
83.	Vitales Energie Biomasse S.R.L., Italy	25.17	EES
84.	Vitales Čakovec d.o.o., Croatia	49.344	EES
85.	»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: Moscow, Russia; Krasnojarsk, Russia; Kiev, Ukraine; Athens, Greece; Shanghai, China; Almaty, Kazakhstan.



## 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.

## RISK MANAGEMENT

Core activities, performed by individual bodies, are aimed at achieving acceptable i.e. expected exposure to various types of risk in order to improve the probability of the planned business goals of the Gorenje Group being accomplished.

### BUSINESS RISKS

The following major types of business risks for the Gorenje Group have been identified: external risks, sales risks, purchasing risks, product risks, development risks, loss of property risks.

**The Management Board of the Gorenje Group believe the exposure to external, sales, investment and development risks to be high, all the others are mainly moderate.**

### FINANCIAL RISKS

The following key financial risks for the Group have been identified: credit risks, currency risks, interest risks and liquidity risks.

**The Management Board of the Gorenje Group believes that in spite given the safeguards and hedging mechanisms in place, exposure to financial risks – interest and currency risks is high.**

### OPERATING RISKS

The following major types of operating risks for the Gorenje Group have been identified: production risks, information system risks, fire risks, tax risks.

**The Management Board of the Gorenje Group believe the exposure to operating risks to be moderate.**

## PRINCIPLES APPLIED IN THE PREPARATION OF FINANCIAL STATEMENTS AND IMPORTANT NOTES TO FINANCIAL STATEMENTS

The 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.

The Management Board of Gorenje, d.d., has confirmed the Financial Statements on the 3<sup>rd</sup> of April 2009.



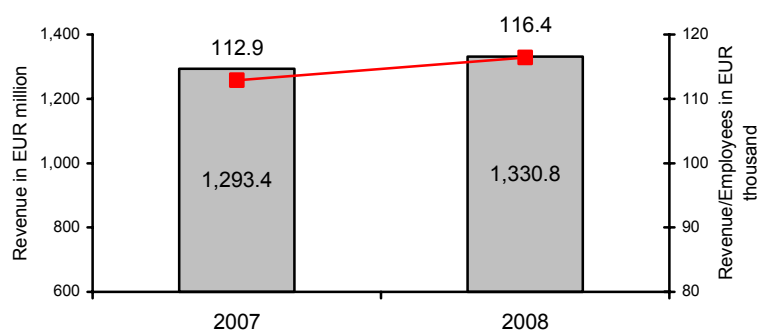
## PERFORMANCE ANALYSIS OF THE GORENJE GROUP

- 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 thousand	2008	Plan 2008	2007	2008/ Plan 2008	2008/ 2007
Consolidated Revenue	<b>1,330,753</b>	1,300,352	1,293,438	102.3	102.9
Gross Operating Yield	<b>1,367,456</b>	1,319,415	1,323,973	103.6	103.3
EBITDA	<b>94,014</b>	100,736	92,857	93.3	101.2
Profit before tax (PBT)	<b>15,473</b>	31,503	29,400	49.1	52.6
Net Profit	<b>10,181</b>	26,503	23,664	38.4	43.0
Average Number of Employees	<b>11,432</b>	11,522	11,456	99.2	99.8

- Consolidated Revenue:** 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, EBITDA EUR 8.7 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.



- Revenue per Employee** has exceeded the value from 2007 (by 3.1%) and also the planned for the year 2008 (by 3.1%)

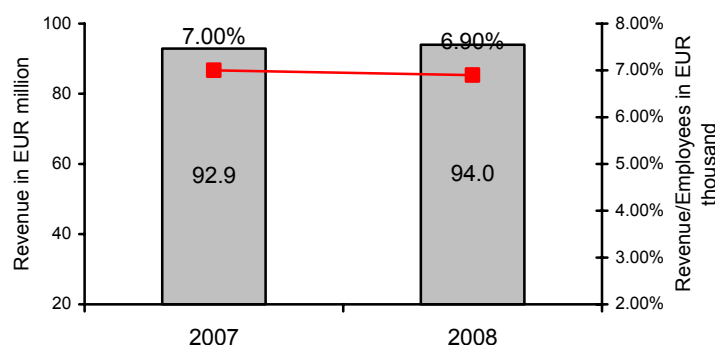
## REVENUE FROM SALES BY DIVISIONS OF THE GORENJE GROUP

in EUR thousand	2008	%	2007	%	08/07
Home appliances division	1,050,125	78.9	1,022,805	79.1	102.7
Home appliances division without Atag	977,416	/	1,022,805	79.1	95.6
Home interior division	59,133	4.4	65,206	5.0	90.7
Ecology, energy and services division	221,495	16.7	205,427	15.9	107.8
<b>= Consolidated Revenue</b>	<b>1,330,753</b>	<b>100.0</b>	<b>1,293,438</b>	<b>100.0</b>	<b>102.9</b>
<b>= Consolidated Revenue without Atag</b>	<b>1,258,044</b>	<b>/</b>	<b>1,293,438</b>	<b>100.0</b>	<b>97.3</b>

- **Cost of goods, materials and services** of the Gorenje Group achieved a share of 75.2 percent in the structure of gross operating yield, which is 0.7 percentage points less than in the year 2007. Their value amounted to EUR 1,027,908 thousand, which is an increase of 2.3 percent over the year 2007.

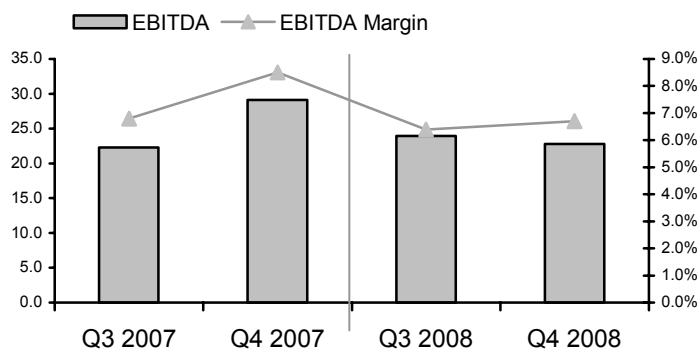
The increase in costs discussed was slower than the growth of the gross operating yield and sales which is mainly a result of sales assortment restructuring, the lower-priced sources of components supply and commodities hedge.

- **Added Value** amounted to EUR 322,793 thousand (98.9 percent of the annual plan), which is a share of 23.6-percent in the gross yield structure. When compared to the year 2007 it increased by 5.6 percent. Faster growth as from the revenue growth is the result of lower growth of the costs of goods, materials and services. **Added Value per employee** amounted to EUR 28,236 thousand, which is an increase of 5.9 percent over the year 2007.



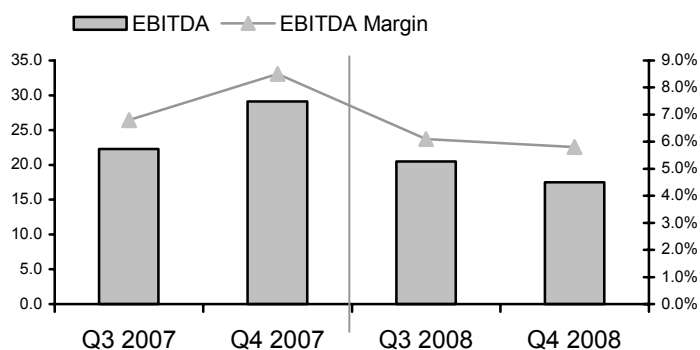
- The growth benefits from the slower increase of the costs of goods, materials and services that revenues.
- The stronger negative impact has the labour costs (regards to the labour legislation) and the amortization. The very positive impact on the EBITDA of the Gorenje Group had the acquired company Atag.

- **EBITDA**, calculated as earnings increased by depreciation / amortisation expenses was by 1.2 percent higher.



Gorenje Group – with the company Atag

in EUR m	Q4 2007	Q4 2008	+/-
Revenue	343	339	-1.2 %
EBITDA	29.1	22.8	-21.6 %
Margin	8.5 %	6.7 %	



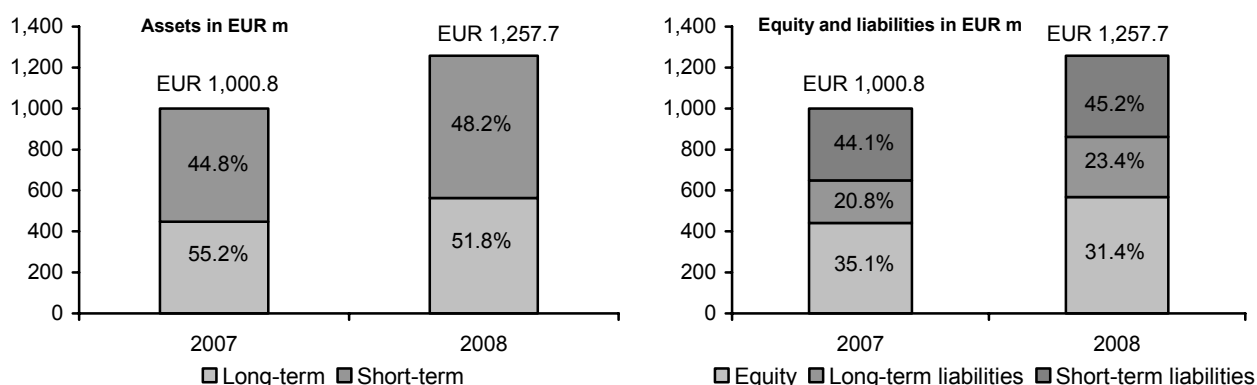
Gorenje Group – without the company Atag

in EUR m	Q4 2007	Q4 2008	+/-
Revenue	343	300	-12.5 %
EBITDA	29.1	17.5	-39.9 %
Margin	8.5 %	5.8 %	

- **PBT** or Profit before Tax reached 52.6% 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.

- **Total assets** of the Gorenje Group amounted to on 31 December 2008, EUR 1,257,732 thousand, which is by 25.7% more than at the end of 2007.
- Value of the **long-term assets** has nominally increased due to the completed investments, revaluation of the land to the fair value and the inclusion of the acquired companies into the Group. In the structure, their stake increased by 3.4 percentage points to 48.2%.
- **Short-term assets** were by the end of the year higher by 18% compared to the end of 2007, what is result of the increase of the value of the inventories, trade and other receivables and the inclusion of the new companies into the Gorenje Group.



- **Equity** amounted to EUR 394,522 thousand at the end of 2008 and increased by 12.4% compared to the end of 2007. The Equity increased nominally, primarily due to the generated net profit, own shares disposal and the revaluation of the land to their fair value, the decrease in equity was due to the amount of the investment translation, cash flow to fair value and the payment of dividends and remunerations to the Supervisory Board pursuant to a resolution of the AGM. In the structure their stake decreased, due to the increase of the financial liabilities.

- **Short-term operating liabilities** are higher by EUR 30,934 thousand, which had a favourable effect on the net working capital. The share decreased by 3.2-percentage points.
- **Financial liabilities** increased by EUR 175,280 thousand or by 56.1%. More than half of this amount represents the long-term loan for the acquisition of the company Atag. In the structure of the financial liabilities 45.9% represented long-term, and the remaining % short-term financial liabilities. All long-term assets and part of the current assets were covered by capital and long-term sources of financing, which ensures additional financial stability.

## THE MAIN COMPANY GORENJE, D.D.

### Summary of Business Performance in Figures

in EUR million	2008	Plan 2008	2007	2008/Pl.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 value 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.

## MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE

Regards to the circumstances of acting in crisis, which Gorenje Group was faced during the last months of the year 2008, the Management Board prepared various scenarios for the year 2009, to enable the quick and efficient reacting on a strong changeable business conditions.

In the first months of this year the range of business activities has decline by 20 - 25 %, and the same trend was shown in the last months of the year 2008. Majority of the industry producers ended the last quarter with the loss.

- costs of materials and raw materials (optimization of inventories, term purchase, further development of the supply sources from Asia, other dollar based supply markets and from the SE European countries and the rationalization of the material costs),
- production area (flexible adjusting the production volume to the orders volume),
- purchasing area (adjusting material ordering to the current needs),
- sales area (intensifying the sales, customers relations, seeking for new business opportunities, decreasing the complexity),
- costs of logistics (maximizing the transport utilization),
- investments area (to approve just the most need it investments, focusing just in the development of the new products),
- marketing area (costs rationalization in the all markets, cost limitation linked to the direct marketing of sales),
- costs of services (decrease of managing and administration costs, adjusting costs to the sales volume, intensify the costs control) ,
- assuring the positive cash flow (new long-term loans, receivables optimization, to assuring the current liquidity),
- decrease of the working capital volume (management of the inventories and receivables) and
- optimizing the labour costs (36-working hours, 10% decrease of the salaries and wages of the employees, organizational and process restructuring).

## GENERATING SHAREHOLDER VALUE

- High importance is placed on the quality of communications with shareholders and other interested publics. Comprehensive reports and other information on the operation of the main company/Gorenje Group are published.
- The communication strategy and coals comprise professional and Independent valuation of share, improving corporate disclosures, acquiring broad analyst coverage, increasing the recognisability of the Management Board, developing an adequate ownership structure, increasing the coverage of financial media and ensuring the accurate presentation of data on the Company/Group in professional data bases.
- On 31 December 2008 was entered in the share register 21,359 shareholders, which represents 8% increase regards to 31 December 2007 (19,779).

Changes in ownership structure by group of shareholders	31 Dec. 08	31 Dec. 07
Kapitalska družba and its funds	26.04%	26.09%
Financial investors	48.16%	40.31%
Individuals	24.94%	25.16%
Own shares	0.86%	8,44%
Total	100%	100%

- The share of financial investors rose from 40.3% to 48.2%.
- The share of individuals fell from 25.2% to 24.9%.
- The share of foreign owners increased from 9.98% to 17.59%.

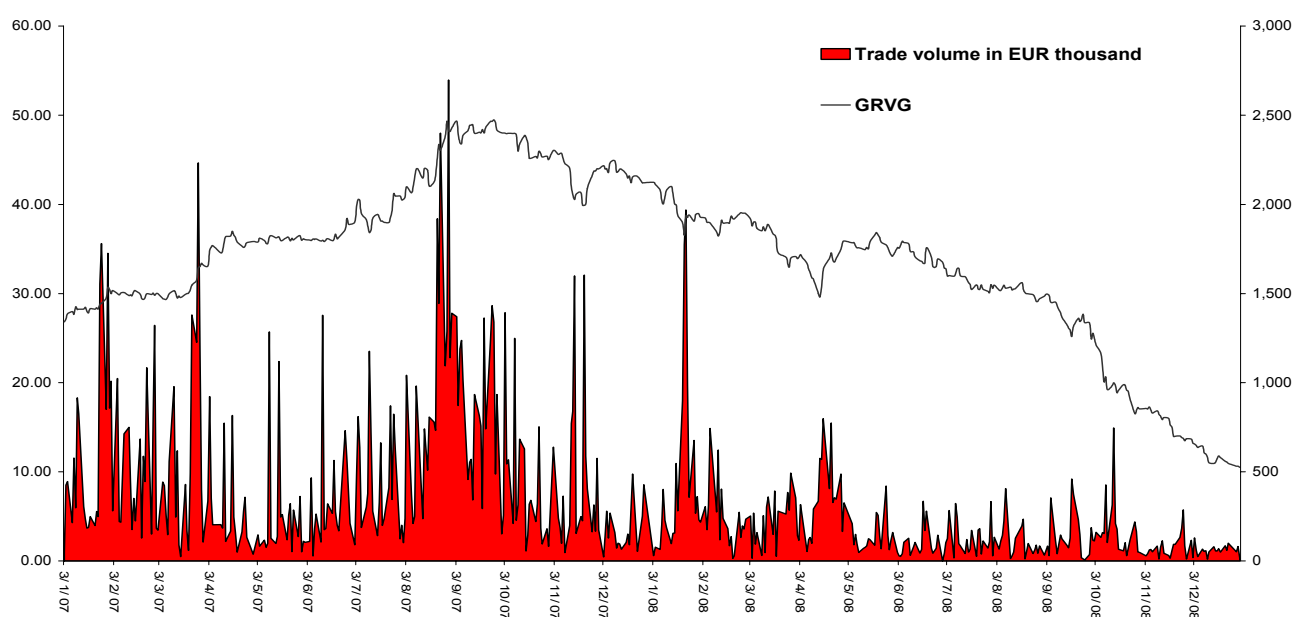
Shareholder / number of shares	31 Dec.08	%
KAPITALSKA DRUŽBA, D.D.	3,534,615	25.1933%
HOME PRODUCTS EUROPE B.V.	1,070,000	7.6265%
INGOR, d.o.o., & co. k.d.	782,056	5.5742%
KD GALILEO, MUTUAL FUND	564,984	4.0270%
RAIFFEISEN ZENTRALBANK OESTERREICH AG	523,199	3.7291%
PROBANKA d.d.	412,276	2.9385%
EECF 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%
<b>MAJOR SHAREHOLDERS</b>	<b>8,177,020</b>	<b>58.2824%</b>
OTHER SHAREHOLDERS	5,852,980	41.7176%
<b>TOTAL</b>	<b>14,030,000</b>	<b>100%</b>

- 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.

- The number of Own Shares was on 31 December 2008 121,311 own shares or 0.8647% of the Company equity. On the first day of the year 2008 the Company held 1,183,342 own shares, from which 1,070,000 was disposed on 26 June 2008 at the price of EUR 36.83 per share (6- months average of the uniform price of the Gorenje, d.d., shares on the Ljubljana Stock Exchange), or totally for EUR 39,408,100 in favour of the company Home Products Europe B.V., from the Netherlands or it was paid the part of the purchase price for the acquisition of the company ATAG Europe B.V.
- In the year 2008 has the Company, in accordance with the authorization passed at the AGM, acquired on the organized stock market on 20 November 2008, 3,169 shares, in the period from 21 November 2008 to 27 November 2008 additional 4,800 own shares.
- Very strong drop of the market prices was notified in the year 2008. 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%.

### Changes in the uniform price of GRVG and the daily Trade volume in the period 2007 – 2008



Trading ratios (GRVG) and share profitability	2008	2007
<b>TURNOVER</b> in EUR million	<b>46.0</b>	123.3
<b>AVERAGE MARKET CAPITALIZATION</b> in EUR million	<b>412.1</b>	473.3
<b>VALUE TURNOVER</b> (Turnover / Average MC)	<b>0.11</b>	0.26
<b>BOOK VALUE OF SHARE</b> in EUR Equity / (No. of shares – Own shares)	<b>22.47</b>	21.39
<b>MARKET TO BOOK VALUE</b>	<b>0.47</b>	1.72
<b>DIVIDEND YIELD</b> (uniform price at year-end)	<b>4.3%</b>	1.0%
<b>EPS</b> in EUR (Net profit of Gorenje, d.d./ No. of shares – Own shares)	<b>0.89</b>	1.18
<b>P/E</b> (Uniform price at year-end /EPS)	<b>11.8</b>	41.2

- Gorenje has till this year followed the **policy of stable dividends**. In the Strategic Plan is foreseen up to one third of the Group net profit for the payout of dividends and also the investment and development plans and the financial position of the Group are taking into consideration. The dividends are paid out from the accumulated profit of the Company, the resolution of the allocation is the subject of the AGM. In the year 2008 was paid out for the year 2007 the gross dividend in the amount of EUR 0.45 per share.

#### Number of shares held by the members of Supervisory Board and the Management Board:

	31.12.2008			31.12.2008	
<b>Supervisory Board</b>	<b>14,146</b>	<b>0.1009%</b>	<b>Management Board</b>	<b>13,230</b>	<b>0.0943%</b>
Mr. Ivan Atelšek	9,497	0.0677%	Mr. Franc Bobinac	2,096	0.0149%
Mr. Peter Kobal	1,355	0.0097%	Mr. Drago Bahun	9,032	0.0644%
Mr. Drago Krenker	920	0.0066%	Mr. Franc Košec	1,380	0.0098%
Mr. Krešimir Martinjak	115	0.0008%	Mrs. Mirjana Dimc Perko	96	0.0007%
Mr. Jurij Slemenik	1,738	0.0124%	Mr. Branko Apat	626	0.0045%
Mr. Jože Zagožen	466	0.0033%			
Mr. Gregor Sluga	55	0.0004%			

#### REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, AND OF THE EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS FOR 2008 (PARENT COMPANY)

The following remuneration was paid to the members of the Gorenje, d.d., Management Board and the Supervisory Board, and to the employees under individual employment contracts for 2008:



Gross Remuneration in EUR thousand	Management Board	Supervisory Board	Employees under Individual Employment Contracts
- Salaries	1,255		5,944
- Performance Bonuses	306	129	877
- Other Remuneration	106		425
- Meeting attendance Fees		75	
- Costs Refund		1	
<b>Total</b>	<b>1,667</b>	<b>205</b>	<b>7,246</b>

Net Remuneration in EUR thousand	Management Board	Supervisory Board	Employees under Individual Employment Contracts
- Salaries	572		3,030
- Performance Bonuses	145	100	432
- Other Remuneration	104		383
- Meeting attendance Fees		58	
- Costs Refund		1	
<b>Total</b>	<b>821</b>	<b>159</b>	<b>3,845</b>

As provided by the Securities Act, total remuneration, reimbursements, allowances and other benefits received by the members of the Gorenje, d.d., Management Board in 2008 are listed below as follows:

Gross Remuneration in EUR thousand	Franc Bobinac	Franc Košec	Branko Apat	Uroš Marolt	Mirjana Dimc Perko	Philip Alexander Sluiter	Drago Bahun
- Salaries	239	201	194	177	184	66	194
- Performance Bonuses	79	63	19	19	63		63
- Other Remuneration	24	18	10	24	17		13
<b>Total</b>	<b>342</b>	<b>282</b>	<b>223</b>	<b>220</b>	<b>264</b>	<b>66</b>	<b>270</b>

Net Remuneration in EUR thousand	Franc Bobinac	Franc Košec	Branko Apat	Uroš Marolt	Mirjana Dimc Perko	Philip Alexander Sluiter	Drago Bahun
- Salaries	103	88	90	73	81	50	87
- Performance Bonuses	37	30	9	9	30		30
- Other Remuneration	23	18	9	24	17		13
<b>Total</b>	<b>163</b>	<b>136</b>	<b>108</b>	<b>106</b>	<b>128</b>	<b>50</b>	<b>130</b>

The company didn't approve any long-term and short-term loans to the members of the Management Board, to the members of the Supervisory Board and to internal stakeholders.

## SUMMARY OF THE REPORT OF THE SUPERVISORY BOARD OF GORENJE, d.d. ON THE REVIEW OF THE 2008 ANNUAL REPORT

On 14 April 2009 the Management Board of the Company presented the audited Annual Report of Gorenje, d.d. and the Gorenje Group for the Year 2008 to the Supervisory Board for approval. The Supervisory Board discussed the Annual Report at its meeting held on 23 April 2009.

The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2008 was audited by the auditing company KPMG Slovenija, d.o.o.. The audit was also performed in all subsidiary companies of the Gorenje Group. On 6 April 2009 the auditing company issued an unqualified opinion on the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the Year 2008.

In December 2008, the Supervisory Board appointed an audit committee, which examined the Annual Report for 2008 together with the auditor's report and the letter to the management, and in connection therewith presented its comments and opinion.

In reviewing the submitted Annual Report for the year 2008 and given the fact that it regularly monitored the management and business operations of the Company and the Gorenje Group and regularly discussed the operating results, financial position and assets, as well as the changed circumstances in the markets where Gorenje is present, the Supervisory Board has assessed that:

- The business operation of the Company in 2008 was successful despite the unforeseen financial crisis and recession in global markets. The Management Board's responses to the signs of declining economic growth in the second half of the year were timely and appropriate. Particularly important was the Company's open communication with the public in connection with the worsening conditions for the sale of household appliances, as well as in connection with the activities and policies of Gorenje's management for the elimination of negative effects, which contributed to an awareness of the actual situation in the narrow and broader environments and among employees;
- Although the Company did not attain all of its planned goals in 2008 due to the substantially changed circumstances over which it had no control (sharp decline in demand for durable consumer goods, devaluation of currencies, illiquidity of buyers or financial conditions in individual countries, decline in the value of investments, whose consequence is the weakening of investments, worsening of liquidity situation and inaccessibility of long-term financial sources, rise of interest rates, etc.), it did operate more successfully than the majority of its competitors in the white goods branch in the given circumstances.

The Supervisory Board has established that the Annual Report for 2008, as prepared by the Management Board and reviewed by the auditing company, has been compiled clearly, transparently and in accordance with the provisions of the Companies Act and applicable International Financial Reporting Standards. The Supervisory Board has also examined and approved the Auditor's Report, and has no comments in connection therewith. On the basis thereof, the Supervisory Board has assessed that the Annual Report presents a true and fair picture of the assets, liabilities, financial position and operating results, and gives a fair account of the business development and position of the Company and the Gorenje Group.

On the basis of the above-mentioned findings, the Supervisory Board approved, at its meeting held on 23 April 2009, the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the Year 2008 as proposed by the Management Board.

## DETERMINATION AND PROPOSED APPROPRIATION OF ACCUMULATED PROFIT

In line with the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board of the Company decided that part of the net profit for the 2008 financial year shall be appropriated for the creation of reserves for own shares in the amount of EUR 111,820.58 for the purpose of repurchasing 7,969 own shares, for the creation of statutory reserves in the amount of EUR 1,186,028.37, and for the creation of other revenue reserves in the amount of EUR 5,337,127.67, which has been approved by the Supervisory Board.

The Supervisory Board has approved the proposal of the Management Board on the determination of the Company's accumulated profit for 2008, which amounts to EUR 35,062,963.38.

The Management Board and the Supervisory Board have proposed to the General Meeting of Shareholders that the accumulated profit for the 2008 financial year in the amount of EUR 35,062,963.38 EUR be appropriated as follows:

- part of the accumulated profit in the amount of EUR 28,050,370.70 shall be used for the creation of other revenue reserves,
- the remainder of accumulated profit in the amount of EUR 7,012,592.68 shall remain unappropriated.

In preparing the proposed resolution on the appropriation of accumulated profit for 2008, the Management Board and the Supervisory Board acted in line with the long-term development policy embodied in the strategic plan of the Gorenje Group; the current circumstances, which are the consequence of the global crisis that has resulted in the reduction of orders, revenues and, ultimately, profit, justify the proposal as presented. For the previously mentioned reasons, the Management Board has also proposed that no dividend payments be made for 2008. The Supervisory Board approved the Management Board's proposal and emphasizes that it will only be possible to overcome this crisis, which has deeply affected in particular that part of the economy which exports almost all of its products, through the joint efforts of all players: the management of the Company and its employees, who carry the burden of reduced salaries in real terms, as well as with the support of owners.

The Supervisory Board further proposes to the General Meeting of Shareholders that the members of the Management Board be discharged of their duties in 2008.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF GORENJE GROUP**, FOR THE YEAR 2008, IN ACCORDANCE WITH THE IFRS

## AUDITOR'S REPORT FOR PUBLIC REPORTING PURPOSES


**Auditor's Report for Public Reporting purposes**

We have audited the consolidated financial statements and the related notes of the Gorenje Group for the year ended 31 December 2008, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, from which the summarized consolidated financial statements are derived, in accordance with International Standards on Auditing. As stated in our Auditor's Reports of 6 April 2009 the consolidated financial statements with notes, used for the preparation of the summarized financial statements, give a true and fair view of the Group's operations in 2008.

In our opinion, the attached summarized consolidated financial statements comply, in all material aspects, with the consolidated financial statements and the notes thereto from which they originate and on which we have expressed an unqualified audit opinion.

For a better understanding of the financial position of the Gorenje Group as of 31 December 2008, the results of its operations, and its cash flows for the year then ended, and the scope of our audit, it is necessary to read the summarized consolidated financial statements together with the consolidated financial statements and the notes thereto, and our audit report on these financial statements.


The Annual Report of the Gorenje Group has not yet been presented to the institution which is authorised for the processing and publishing of data.



Danilo Bukovec, B.Sc.Ec.  
*Certified Auditor*

Ljubljana, 6 April 2009

**KPMG SLOVENIJA,**  
podjetje za revidiranje, d.o.o.



Marjan Mahnič, B.Sc.Ec.  
*Certified Auditor*  
*Partner*

*KPMG Slovenija, d.o.o.*  
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## CONSOLIDATED BALANCE SHEET OF THE GORENJE GROUP

in EUR thousand	31 December 2008	31 December 2007
<b>ASSETS</b>	<b>1,257,732</b>	<b>1,000,788</b>
<b>Non-current assets</b>	<b>606,027</b>	<b>448,694</b>
Intangible assets	162,986	25,094
Property, plant and equipment (PPE)	412,953	384,791
Investment property	7,090	10,174
Other investments	12,721	19,217
Investments in associated companies	0	12
Deferred tax assets	10,277	9,406
<b>Current assets</b>	<b>651,705</b>	<b>552,094</b>
Non-current assets for sales	954	1,062
Inventories	253,004	217,471
Other investments	64,470	27,110
Trade receivables	262,017	258,535
Other assets	43,866	27,904
Income tax receivables	3,279	2,328
Cash and cash equivalents	24,115	17,684
<b>EQUITY AND LIABILITIES</b>	<b>1,257,732</b>	<b>1,000,788</b>
<b>Total equity</b>	<b>394,522</b>	<b>350,985</b>
Shares	58,546	58,546
Share premium	158,487	143,714
Legal and statutory reserves	21,697	45,034
Retained earnings	110,324	84,025
Own shares	-3,170	-27,693
Translation reserve	20,187	14,541
Fair value reserve	15,208	21,960
<b>Equity attributable to equity holders of the Company</b>	<b>381,279</b>	<b>340,127</b>
<b>Minority interest</b>	<b>13,243</b>	<b>10,858</b>
<b>Non-current liabilities</b>	<b>294,893</b>	<b>208,683</b>
Provisions	55,366	51,653
Deferred government grant	8,936	8,717
Deferred tax liabilities	6,472	3,211
Loans and borrowings	224,119	145,102
<b>Current liabilities</b>	<b>568,317</b>	<b>441,120</b>
Short-term borrowings	263,676	167,413
Trade liabilities	223,660	220,261
Other current liabilities	79,164	51,546
Income tax liabilities	1,817	1,900

## CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE GORENJE GROUP

in EUR thousand	2008	2007
<b>Revenue</b>	<b>1,330,753</b>	<b>1,293,438</b>
Changes in inventories	10,362	5,170
Other operating income	26,341	25,365
<b>Gross operating yield</b>	<b>1,367,456</b>	<b>1,323,973</b>
Cost of goods, materials and services	-1,027,908	-1,004,764
Personnel expenses	-226,487	-208,553
Depreciation and amortization expense	-57,121	-53,211
Other operating expenses	-19,047	-17,799
<b>Operating profit</b>	<b>36,893</b>	<b>39,646</b>
Financial revenues from associated companies stakes	0	8
Financial income	19,603	18,455
Financial expenses	-41,023	-28,709
Net financial expenses	-21,420	-10,254
<b>Profit before tax</b>	<b>15,473</b>	<b>29,400</b>
Income tax expense	-5,292	-5,736
<b>Net profit for the year</b>	<b>10,181</b>	<b>23,664</b>
Attributable to minority interest	1,309	992
Attributable to equity holders of the parent	8,872	22,672
Basic and / diluted earnings per share (in EUR)	0.66	2.03

## CONSOLIDATED CASH FLOW STATEMENT OF THE GORENJE GROUP

	in EUR thousand	2008	2007
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>Net profit for the year</b>	<b>10,181</b>	<b>23,664</b>
	Adjustments for:		
	Depreciation of PPE	51,900	49,788
	Amortisation of intangible assets	5,221	3,423
	Impairment loss	0	711
	Investments income	-19,603	-18,455
	Financial expenses	41,023	25,296
	Share of profit/loss of associate	0	-8
	Gain on sales of PPE	-1,807	-1,983
	Change in fair value of investment property	-2,566	0
	Income tax expense	5,292	5,736
	<b>Operating profit before changes in net working capital and provisions</b>	<b>89,641</b>	<b>88,172</b>
	Change in trade and other receivables	-17,336	-14,847
	Change in inventories	-35,533	-24,769
	Change in provisions	3,932	4,009
	Change in trade and other liabilities	31,017	-3,421
	<b>Cash generated from the operations</b>	<b>-17,920</b>	<b>-39,028</b>
	Interest paid	-26,019	-19,534
	Income taxes paid	-6,786	-5,338
	Income from indemnities	0	1,850
	<b>Net cash from operating activities</b>	<b>38,916</b>	<b>26,122</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Proceeds from sales of PPE	2,398	4,502
	Proceeds from sales of investments	6,208	0
	Interest received	7,208	4,095
	Dividends received	1,048	1,701
	Disposal of subsidiary, net of cash disposed of	641	4,288
	Acquisition of subsidiary, net of cash acquired	-95,011	-6,109
	Acquisition of PPE	-71,289	-69,428
	Acquisition of other investments	-37,023	1,222
	Acquisition of intangible assets	-5,518	-4,678
	<b>Net cash from investing activities</b>	<b>-191,338</b>	<b>-64,407</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Capital increase	0	54,900
	Repurchase of own shares	-112	0
	Borrowings	164,875	-3,241
	Dividends and premiums paid	-5,910	-4,736
	<b>Net cash from financing activities</b>	<b>158,853</b>	<b>46,923</b>
	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



## 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
<b>Balance at 1 January 2008</b>	<b>58,546</b>	<b>143,714</b>	<b>45,034</b>	<b>84,025</b>	<b>-27,693</b>	<b>14,541</b>	<b>21,960</b>	<b>340,127</b>	<b>10,858</b>	<b>350,985</b>
Change in fair value reserve of investments AFS							-6,171	-6,171		-6,171
Revaluation of land							9,243	9,243		9,243
Cash flow hedge							-8,660	-8,660		-8,660
Translation reserve						5,646		5,646		5,646
Deferred tax liabilities							-1,164	-1,164		-1,164
<b>Total revenue and expenses direct in equity</b>						<b>5,646</b>	<b>-6,752</b>	<b>-1,106</b>		<b>-1,106</b>
Net profit for the year				8,872				8,872	1,309	10,181
<b>Total revenue and expenses</b>				<b>8,872</b>		<b>5,646</b>	<b>-6,752</b>	<b>7,766</b>	<b>1,309</b>	<b>9,075</b>
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
Remunerations of Supervisory Board, in accordance to AGM resolution				-129				-129		-129
Disposal of own shares		14,773			24,635			39,408		39,408
Reversal of reserve of own shares			-24,635	24,635				0		0
Increase in minority interest								0	1,076	1,076
<b>Balance at 31 December 2008</b>	<b>58,546</b>	<b>158,487</b>	<b>21,697</b>	<b>110,324</b>	<b>-3,170</b>	<b>20,187</b>	<b>15,208</b>	<b>381,279</b>	<b>13,243</b>	<b>394,522</b>

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
<b>Balance at 1 January 2007</b>	<b>50,910</b>	<b>96,450</b>	<b>43,713</b>	<b>67,629</b>	<b>-27,693</b>	<b>15,556</b>	<b>7,619</b>	<b>254,184</b>	<b>249</b>	<b>254,433</b>
Change in fair value reserve of investments AFS							3,222	3,222		3,222
Revaluation of land							10,797	10,797		10,797
Translation reserve						-1,015		-1,015		-1,015
Deferred tax liabilities				-219			322	103		103
<b>Total revenue and expenses direct in equity</b>				<b>-219</b>		<b>-1,015</b>	<b>14,341</b>	<b>13,107</b>		<b>13,107</b>
Net profit for the year				22,672				22,672	992	23,664
<b>Total revenue and expenses</b>				<b>22,453</b>		<b>-1,015</b>	<b>14,341</b>	<b>35,779</b>	<b>992</b>	<b>36,771</b>
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
Remunerations of Supervisory Board, in accordance to AGM resolution				-109				-109		-109
Increase in minority interest								0	9,617	9,617
<b>Balance at 31 December 2007</b>	<b>58,546</b>	<b>143,714</b>	<b>45,034</b>	<b>84,025</b>	<b>-27,693</b>	<b>14,541</b>	<b>21,960</b>	<b>340,127</b>	<b>10,858</b>	<b>350,985</b>

**AUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS OF  
GORENJE, D.D.**, FOR THE YEAR 2008, IN ACCORDANCE WITH THE IFRS

## AUDITOR'S REPORT FOR PUBLIC REPORTING PURPOSES

**Auditor's Report for Public Reporting purposes**

We have audited the financial statements and the related notes of the company Gorenje, d.d., Velenje for the year ended 31 December 2008, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, from which the summarized financial statements are derived, in accordance with International Standards on Auditing. As stated in our Auditor's Reports of 6 April 2009, the financial statements with notes, used for the preparation of the summarized financial statements, give a true and fair view of the Company's operations in 2008.

In our opinion, the attached summarized financial statements comply, in all material aspects, with the financial statements and the notes thereto from which they originate and on which we have expressed an unqualified audit opinion.

For a better understanding of the financial position of Gorenje, d.d., Velenje as of 31 December 2008, the results of its operations, and its cash flows for the year then ended, and the scope of our audit, it is necessary to read the summarized financial statements together with the financial statements and the notes thereto, and our audit report on these financial statements.

The Annual Report of the company Gorenje, d.d., Velenje has not yet been presented to the institution which is authorised for the processing and publishing of data.

**KPMG SLOVENIJA,**  
podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.

*Certified Auditor*

*Partner*

Danilo Bukovec, B.Sc.Ec.  
*Certified Auditor*

Ljubljana, 6 April 2009

**KPMG Slovenija, d.o.o.**  
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## BALANCE SHEET OF GORENJE, D.D.

in EUR thousand	31 December 2008	31 December 2007
<b>ASSETS</b>	<b>873,840</b>	<b>676,375</b>
<b>Non-current assets</b>	<b>489,141</b>	<b>340,858</b>
Intangible assets	17,440	18,243
Property, plant and equipment (PPE)	195,692	189,392
Investment property	4,462	2,698
Investments into subsidiaries	258,830	113,862
Other investments	7,444	12,207
Deferred tax assets	5,273	4,456
<b>Current assets</b>	<b>384,699</b>	<b>335,517</b>
Inventories	105,948	93,869
Other investments	86,817	28,123
Trade receivables	172,327	200,671
Other current assets	18,825	12,823
Income tax receivables	708	0
Cash and cash equivalents	74	31
<b>EQUITY AND LIABILITIES</b>	<b>873,840</b>	<b>676,375</b>
<b>Total equity</b>	<b>312,566</b>	<b>274,785</b>
Shares	58,546	58,546
Share premium	140,624	125,851
Legal and statutory reserves	21,697	45,034
Retained earnings	94,059	64,660
Fair value reserve	810	8,387
Own shares	-3,170	-27,693
<b>Non-current liabilities</b>	<b>221,990</b>	<b>138,724</b>
Provisions	24,187	26,212
Deferred tax liabilities	2,087	1,886
Loans and borrowings	195,716	110,626
<b>Current liabilities</b>	<b>339,284</b>	<b>262,866</b>
Short-term borrowings	162,727	63,221
Trade liabilities	160,692	177,265
Other liabilities	15,865	22,117
Income tax liabilities	0	263

## PROFIT AND LOSS STATEMENT OF GORENJE, D.D.

in EUR thousand	2008	2007
<b>Revenue</b>	<b>764,106</b>	<b>831,273</b>
Changes in inventories	2,043	4,988
Other operating income	11,196	11,470
<b>Gross operating yield</b>	<b>777,345</b>	<b>847,731</b>
Cost of goods, materials and services	-613,986	-681,699
Personnel expenses	-110,305	-107,623
Depreciation and amortization expense	-35,605	-33,991
Other operating expenses	-3,355	-4,154
<b>Operating profit</b>	<b>14,094</b>	<b>20,264</b>
Financial income	24,973	11,629
Financial expenses	-27,183	-16,554
Net financial expenses	-2,210	-4,925
<b>Profit before tax</b>	<b>11,884</b>	<b>15,339</b>
Income tax expense	88	-2,127
<b>Net profit for the year</b>	<b>11,972</b>	<b>13,212</b>
Basic and / diluted earnings per share (in EUR)	0.89	1.18

## CASH FLOW STATEMENT OF GORENJE, D.D.

	in EUR thousand	2008	2007
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>Net profit</b>	<b>11,972</b>	<b>13,212</b>
	Adjustments for:		
	Depreciation of PPE	31,773	31,083
	Amortisation of intangible assets	3,832	2,908
	Investments income	-24,973	-11,629
	Financial expenses	22,790	16,554
	Gain on sales of PPE	-586	-1,199
	Change in fair value of investment property	-2,154	0
	Income tax expense	-88	2,127
	<b>Operating profit before changes in net working capital and provisions</b>	<b>42,566</b>	<b>53,056</b>
	Change in trade and other receivables	24,884	-6,329
	Change in inventories	-12,079	-5,448
	Change in provisions	-2,025	-449
	Change in trade and other liabilities	-22,622	-6,215
	<b>Cash generated from the operations</b>	<b>-11,842</b>	<b>-18,441</b>
	Interest paid	-17,598	-12,725
	Income taxes paid	-1,540	-1,346
	<b>Net cash from operating activities</b>	<b>11,586</b>	<b>20,544</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Proceeds from sales of plant and equipment	1,946	4,316
	Interest received	5,924	3,808
	Dividends received	7,443	2,673
	Proceeds from sales of subsidiary, net of cash disposed of	789	2,032
	Acquisition of subsidiary	-107,483	-18,890
	Acquisition of property, plant and equipment	-33,196	-32,139
	Acquisition of other investments	-52,380	-16,186
	Acquisition of intangible assets	-3,035	-3,801
	<b>Net cash from investing activities</b>	<b>-179,992</b>	<b>-58,187</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Capital increase	0	54,900
	Repurchase of own shares	-112	0
	Borrowings	174,471	-13,018
	Dividends and premium paid	-5,910	-4,736
	<b>Net cash from financing activities</b>	<b>168,449</b>	<b>37,146</b>
	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

## 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 2008</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>
Change in fair value of investments AFS						-6,171	-6,171
Revaluation of land						7,454	7,454
Cash flow hedge						-8,660	-8,660
Deferred tax liabilities						-200	-200
<b>Total revenue and expenses direct in equity</b>						<b>-7,577</b>	<b>-7,577</b>
Net profit for the year				11,972			11,972
<b>Total revenue and expenses</b>				<b>11,972</b>		<b>-7,577</b>	<b>4,395</b>
Formation of own shares reserves			112	-112	-112		-112
Formation of statutory reserves			1,186	-1,186			0
Dividend payout				-5,781			-5,781
Remunerations of Supervisory Board, in accordance to AGM resolution				-129			-129
Disposal of own shares		14,773			24,635		39,408
Reversal of own shares			-24,635	24,635			0
<b>Balance at 31 December 2008</b>	<b>58,546</b>	<b>140,624</b>	<b>21,697</b>	<b>94,059</b>	<b>-3,170</b>	<b>810</b>	<b>312,566</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 2007</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>
Change in fair value of investments AFS						3,222	3,222
Cash flow hedge							
Deferred tax liabilities				-219		-824	-1,043
<b>Total revenue and expenses direct in equity</b>				<b>-219</b>		<b>2,398</b>	<b>2,179</b>
Net profit for the year				13,212			13,212
<b>Total revenue and expenses</b>				<b>12,993</b>		<b>2,398</b>	<b>15,391</b>
Capital increase	7,636	47,264					54,900
Formation of statutory reserves			1,321	-1,321			0
Dividend payout				-4,628			-4,628
Remunerations of Supervisory Board, in accordance to 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>

## 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