It was a difficult year.

2009 Annual Report

gorenje

We have learned a great deal.

In difficult times, we have proved that we can rise to the new challenges brought by turbulent global economic and financial flows. We responded quickly and effectively adapted to the new situation and the needs of increasingly more demanding buyers. Using the knowledge and experience acquired, we are determined to continue achieving our set goals to the satisfaction of buyers, owners and employees.

And that is why we are growing.

Despite the considerable decline in sales in the first half of the year, we acquired market shares. By introducing novelties and flexibly responding to customers’ orders, we managed to justify our reputation as a reliable business partner, preserve our existing customers and acquire new ones. Our sales results in Germany, Austria and Serbia were above expectations, and we have prepared platforms for breakthrough into new prospective markets.

04

We know only a positive flow.

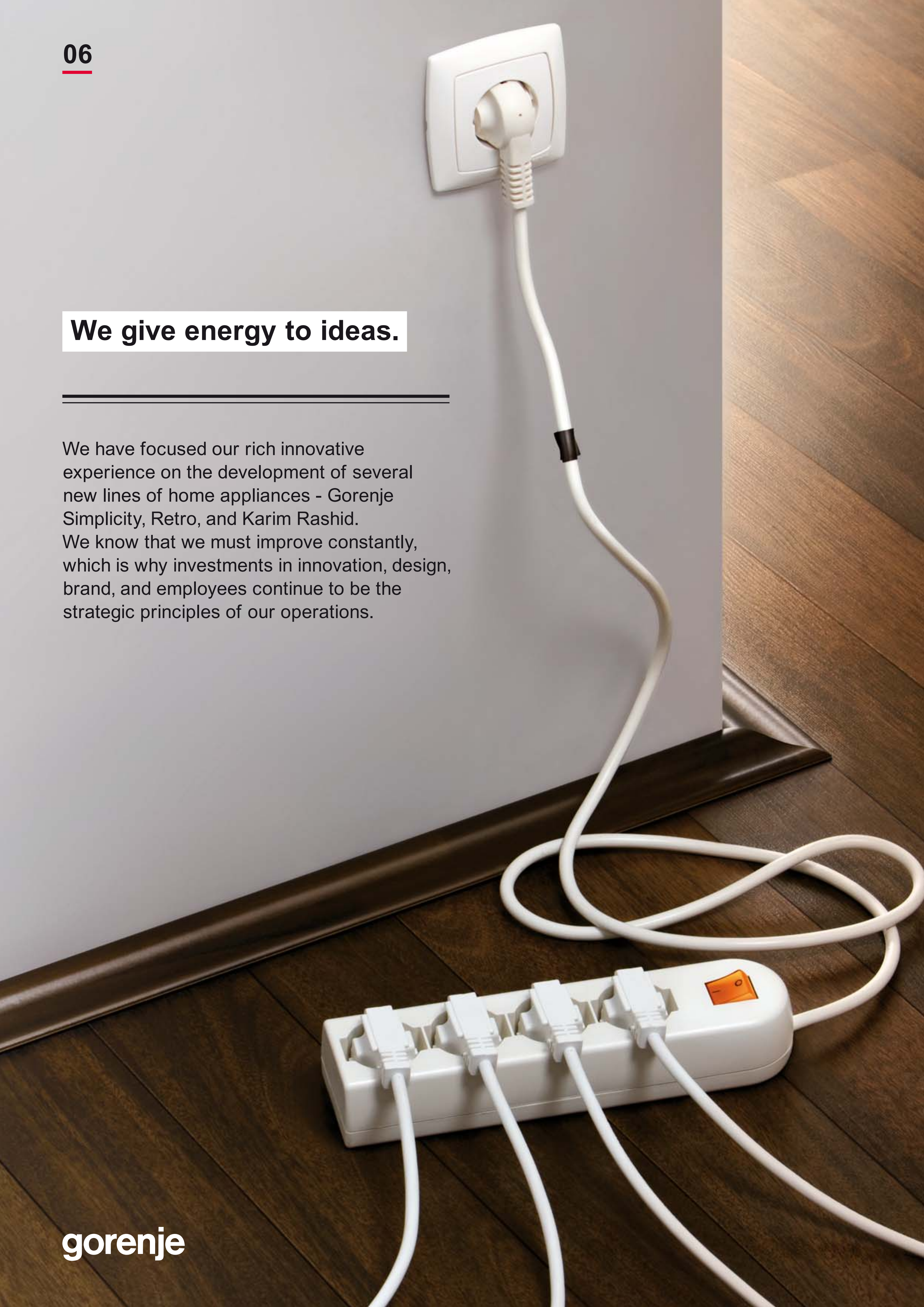
In strained circumstances, by focusing our investments exclusively on development projects and efficiently managing our net current assets, in 2009 we strongly surpassed the planned free cash flow as one of the most important building blocks in restructuring the sources of financing the business activities of the Gorenje Group.

gorenje

05

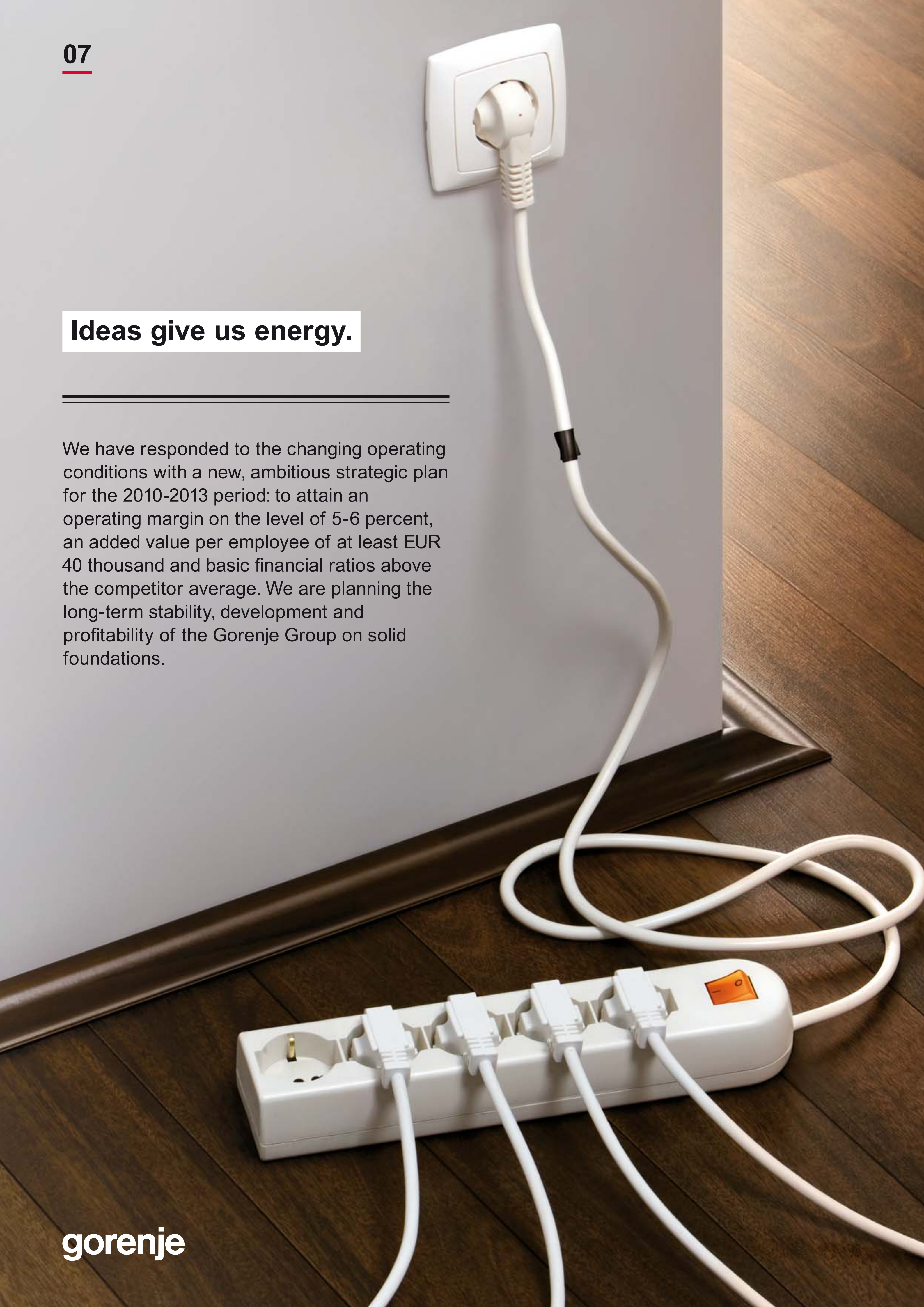
We are actively involved in several activities.

The Gorenje Group operates in mature, highly competitive sectors requiring us to continuously adapt to market conditions and constantly improve our performance. With the aim of optimising our business processes and attaining better business results, we operate in three divisions: Home Appliances, Home Interior, and Ecology, Energy and Services.



We give energy to ideas.

We have focused our rich innovative experience on the development of several new lines of home appliances - Gorenje Simplicity, Retro, and Karim Rashid.
We know that we must improve constantly, which is why investments in innovation, design, brand, and employees continue to be the strategic principles of our operations.



Ideas give us energy.

We have responded to the changing operating conditions with a new, ambitious strategic plan for the 2010-2013 period: to attain an operating margin on the level of 5-6 percent, an added value per employee of at least EUR 40 thousand and basic financial ratios above the competitor average. We are planning the long-term stability, development and profitability of the Gorenje Group on solid foundations.

gorenje

Key data on operating activities (in 000 EUR)

	2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Consolidated sales revenue	1,185,937	320,125	297,871	281,328	286,613	1,330,753	338,727	372,861	315,465	303,700
EBITDA	68,199	24,747	22,724	13,593	7,135	94,014	22,826	23,959	21,641	25,588
EBITDA margin (in %)	5.80 %	7.70 %	7.60 %	4.80%	2.50 %	7.10 %	6.70 %	6.40 %	6.90 %	8.40 %
EBIT	12,149	11,578	8,079	-479	-7,029	36,893	8,782	9,412	7,270	11,429
EBIT margin (in %)	1.00 %	3.60 %	2.70 %	-0.20 %	-2.50 %	2.80 %	2.60 %	2.50 %	2.30 %	3.80 %
Total profit or loss	-9,308	1,198	4,221	-1,324	-13,403	15,473	-4,726	8,853	4,558	6,788
Net profit or loss	-12,232	2,336	3,427	-3,253	-14,742	10,181	-5,243	7,273	2,798	5,353
ROS (net return on sales)	-1.00 %	0.70 %	1.20 %	-1.20 %	-5.10 %	0.80 %	-1.50 %	2.00 %	0.90 %	1.80 %
ROA (net return on assets)	-1.00 %	0.80 %	1.20 %	-1.10 %	-4.80 %	0.90 %	-1.70 %	2.40 %	1.00 %	2.10 %
Sales revenue per employee	108.73	29.57	27.46	25.81	25.92	116.41	29.28	31.99	28.08	26.95
EBITDA per employee	6.25	2.29	2.10	1.25	0.65	8.22	1.97	2.06	1.93	2.27
EBIT per employee	1.11	1.07	0.74	-0.04	-0.64	3.23	0.76	0.81	0.65	1.01
Net profit or loss per employee	-1.12	0.22	0.32	-0.30	-1.33	0.89	-0.45	0.62	0.25	0.48
Employees (final)	10,675	10,675	10,847	10,917	10,950	11,323	11,323	11,631	11,324	11,212
Employees (average)	10,907	10,825	10,846	10,901	11,056	11,432	11,567	11,657	11,236	11,268

Source: Data of the Gorenje Group

Content

Letter of the President of the Management Board

Dear shareholders,

The year 2009, marked by a global financial and economic crisis, was an extremely challenging year for the Gorenje Group. The trend of declining orders that began in the last quarter of 2008 continued into 2009. The Western European household appliance market registered a nine-percent decline, while in Eastern Europe, an extremely important market for the Gorenje Group owing to its high profitability, the two-digit market growth recorded in previous years turned into a thirty-percent decline. At the same time, a significant shift occurred in the demand structure, with consumers showing a preference for lower priced appliances in a time of precarious economic conditions. Increased payment indiscipline, fluctuating values of non-euro currencies, and rising prices of raw materials and materials further aggravated the business operations of the Gorenje Group and other European manufacturers of household appliances.

The changed economic environment forced us to adapt quickly and effectively to the new operating circumstances. We intensified the implementation of measures aimed at optimising business processes and stocks, reducing costs of materials, services and labour, and accelerating sales. To neutralise the negative effects of the global crisis, we focused our activities on the attainment of three goals: ensuring free cash flow, strengthening market shares, and preserving productive jobs.

Last year, the household appliances market split into two parts - expensive and less expensive appliances. The Gorenje Group responded to these changes by covering various segments and all price grades of appliances, and by offering new product lines. One of these is the line of technologically advanced, yet reasonably priced Gorenje Simplicity appliances offering easy operation combined with trendy design. For more demanding customers we have created, in cooperation with the renowned New York designer, Karim Rashid, a collection of exclusive appliances labelled »Gorenje designed by Karim Rashid«.

Strategic policies that were observed in previous years: the strengthening of the Gorenje brand by introducing designer lines and niche appliances, the internationalisation of production (takeover of the Czech producer of cooking appliances Mora Moravia, building a new factory for fridge and freezing appliances in Valjevo and introducing a programme of water heaters in Stara Pazova in Serbia), as well as the takeover of the Dutch company Atag proved as correct also in 2009 as they significantly contributed to the implementation of goals in this difficult year.

The home appliances branch has its place among mature markets with a relatively low growth. That is why innovativeness, difference, and a reputable trademark are of key importance for our Group. By developing new, technologically perfected and design-led products with innovative functions, we have managed to strengthen our brand name in a crisis year, as confirmed by the independent Eurobrand Institute in Vienna, which assessed that our brand value increased to EUR 458 million in 2009.

By the introduction of novelties and a flexible response to customers' orders, we have justified our reputation as a reliable business partner, retained our existing customers and acquired new ones. In doing so we have preserved or increased our shares in the majority of markets.

As for our traditional markets in Europe, most operations were recorded with Germany and Austria, whereas Serbia proved the best in the West Balkan area. By signing an agreement with the largest distribution company for home appliances and consumer electronics in the Middle East, we have set up a base for breakthrough into this prospective region.

With the use of soft methods, we managed to reduce the average number of employees in the Gorenje Group by 525 persons, thus adequately adapting costs to the decline in sales in this segment as well. Instead of dismissals, we introduced shortened working hours and implemented the government measure of temporary layoffs, which also meant slightly lower salaries for employees. In September, social distress and nonacceptance of the endless quick responses and adjustments to crisis situations in the market led to a work stoppage in production. During negotiations with social partners, we ensured the resumption of work within two days. We managed to balance and protect the interests of various participants and thus prevent any further operating loss affecting all stakeholders.

Despite the difficult circumstances, we managed in 2009 to duly fulfil our obligations towards banks and, by adopting adequate measures, reduced the Group's indebtedness by EUR 37.2 million. At the same time, we improved the structure of borrowings in terms of maturity, with long-term borrowings accounting for 54.4 percent at the end of 2009 as opposed to 46 percent at the end of 2008.

Sales in the amount of almost EUR 1.2 billion were almost 11 percent below the 2008 figure. This decline would have been even greater without the acquisition of the Dutch company Atag in 2008.

It was indeed a very challenging year, but thanks to a clear anti-crisis strategy, we managed to attain the set goals and conclude the year in better condition than was expected after the initial months of the year. In the second half of the year, we brought the operating profit or loss (EBIT) back into the positive sphere. Alongside restructuring and optimisation of sales, such development of ROI was largely due to economy measures in the areas of materials, services and improved productivity. In the first half of the year, the operating profit or loss before depreciation and amortisation (EBITDA) declined substantially over the previous year, approaching the 2008 level in the third quarter and even surpassing it in the last quarter.

The attainment of positive free cash flow was in the forefront in 2009 as one of the most important building blocks in restructuring the sources of financing the business activities of the Gorenje Group. By focusing our investments exclusively on development projects and efficiently managing our net current assets, we generated more than EUR 33 million of free cash flow despite the negative net profitability, and considerably surpassed the estimates made at the beginning of the year.

The market conditions in 2010 are gradually stabilising. This is also evident in the slight growth of orders in comparison with the first months of 2009, though one cannot speak of real recovery as yet. The growing unemployment rate in European countries is preserving a low volume of orders, and budget problems in some countries of Eastern and Southeastern Europe are nourishing the fear of further declines in the value of currencies.

Gorenje's plans for 2010 include increasing the volume of sales by conquering new, emerging markets and other development activities. Our four-year strategic plan lays down guidelines for the long-term stability of business operations of the Gorenje Group in a globalised business environment. Our goal is to create, by the year 2013, an operating margin on the level of 5-6 percent, increase added value per employee to at least EUR 40 thousand, and exceed the basic financial indicators on the average level of competitors.

Dear shareholders, I thank you for the trust you have shown us in spite of the strained economic conditions. I firmly believe that, together with co-workers, we shall meet all your expectations in the upcoming period, and continue to regularly and proactively inform you of our further steps and achievements on this path.

Franjo Bobinac, MBA,

President of the Management Board

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD OF GORENJE, d.d. ON THE REVIEW OF THE 2009 ANNUAL REPORT

Dear shareholders,

In 2009 the Supervisory Board supervised the business operation of Gorenje, d.d. and the Gorenje Group within the scope of powers and authorisations bestowed by applicable legal regulations and the Articles of Association of the Company, and also performed other tasks within its competences.

The Supervisory Board carried out its tasks in 2009 in the following composition: Dr. Jože Zagožen as Chairman, Ivan Atelšek as Deputy Chairman, Peter Ješovnik, M.Sc., Milan Podpecan, Andrej Presecnik, Gregor Sluga, M.Sc., Peter Kobal, Drago Krenker, Krešimir Martinjak, and Jurij Slemenik.

ACTIVITIES OF THE SUPERVISORY BOARD

At ten meetings (one of which was a correspondence meeting) held in 2009, the Supervisory Board devoted most of its attention to the business and financial development of the Gorenje Group and the parent company, significant business events, and the implementation of general strategic and business policies.

In line with its established practice, the Supervisory Board adopted the business plan of the parent company and the Gorenje Group in December 2008. Given the uncertainty prevailing at the time, the Supervisory Board assessed the plan as appropriate and at the same time sufficiently flexible considering the various possible scenarios of development of the financial crisis, as it enabled the Group to promptly respond to the rapid changes in operating conditions. The Management Board reported to the Supervisory Board, on a quarterly basis, on the day-to-day business operations and financial position of the Gorenje Group and the parent Company. The Management Board also regularly and promptly informed the Supervisory Board on the operating conditions, particularly the situation in world markets, changes in the prices of materials and raw materials, risk management, and the business operations of competitors. It was established that in 2009 the Management Board implemented all the resolutions adopted by the Supervisory Board.

Issues related to the education and age structure of employees, as well as working conditions, played an important role in discussions. The Supervisory Board dealt with these issues from the aspect of crisis conditions in the economy and the fulfilment of expectations of employees and all stakeholders.

Business operations were extremely difficult in the first quarter of 2009. It was impossible to predict the end of the financial crisis and when the crisis would reach its lowest level. The Supervisory Board carefully monitored the business operations of the Company and movements in world markets, and promptly drew attention to:

- the management of operating current assets, particularly receivables (which increased due to declining liquidity in the market),
- the preservation of market shares and penetration into new markets,
- the changed sales structure of home appliances.

Business operations were successful in the third quarter, when the Management Board successfully mitigated the losses suffered in the first and, to a smaller extent, second quarter. The results attained in the last quarter were in line with expectations, while the joint result for 2009 is better than the estimates made at the beginning of the year, which may undoubtedly be attributed to the hard work of all employees of the Company.

The Supervisory Board devoted special attention to the work stoppage that occurred in Gorenje on 15 September 2009. It took note of the reasons for the stoppage, and positively assessed the measures taken by the Management Board, stressing the significance of open communication with all employees. The Management Board was instructed to prepare a plan of measures aimed at bringing it as close as possible to employees in order to reduce social distress, as well as protecting the Gorenje brand name and its further development. The Supervisory Board further instructed the Management Board to prepare a communication plan specifying the manner in which various contents would be presented to the public in future, and to ensure social peace through negotiations with trade unions and representatives of employees, taking into account the interests of all stakeholders. At one of the next meetings, the Management Board informed the Supervisory Board on the course and conclusion of negotiations and presented the agreement reached.

The Supervisory Board discussed the earnings of the Management Board and, on its proposal, reduced them by ten percent alongside the introduction of a 36-hour work week in the beginning of 2009. In November, the Supervisory Board repeatedly reduced the earnings of Management Board members on average by an additional twenty-five percent.

At the end of 2009, the Supervisory Board bound itself to carry out the following: if the conditions related to the Company's business operations are not at least similar to those in the first half of 2008, the Supervisory Board shall not propose the payment of incentive bonus to members of the Supervisory Board for the year 2009. When approving the 2009 Annual Report, the Supervisory Board did not, on the proposal of the Management Board, decide on the payment of incentive bonus to members of the Management Board for the 2009 financial year as a sign of solidarity with employees in a strained economic situation.

The Audit Committee of the Supervisory Board carried out its tasks in 2009 in the following composition: Milan Podpecan, Chairman, Peter Ješovnik, M.Sc., Gregor Sluga, Drago Krenker, and Mateja Vrankar. The committee devoted most of its attention to harmonising the materials for meetings of the Supervisory Board with all relevant standards, taking into account the principle of consistent reporting and similar issues. In 2009 the Audit Committee met at five meetings and discussed periodical reports, internal audit in the parent company, the risk management system in the parent company, and the issue of transfer prices in the Gorenje Group. It also conducted a meeting with the representatives of the auditing company KPMG Slovenija, d.o.o. regarding pre-audit and audit procedures in 2009.

ANNUAL REPORT

On 7 April 2010 the Management Board of the Company presented the audited Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2009 to the Supervisory Board for approval. The Supervisory Board discussed the Annual Report at a meeting held on 16 April 2010.

The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2009 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 2 April 2010 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 2009.

The Audit Committee of the Supervisory Board examined the 2009 Annual Report together with the Auditor's Report and the Letter to the Management, and presented its comments and opinion in connection therewith.

The Supervisory Board consistently 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. In reviewing the submitted Annual Report for the year 2009, the Supervisory Board established the following:

- Given the financial crisis, recession, and the difficult position in the Group's key markets, the Company's business operation in 2009 was satisfactory despite the loss. The Management Board's responses to the strained conditions were timely and appropriate. By reducing costs on several levels, the Company created significant savings and alleviated the negative result that would have occurred if such measures had not been implemented. In future, the Management Board must endeavour to ensure social peace while considering the interests of all stakeholders, and communicate openly with the public in connection with current issues;
- In 2009 the Company operated less successfully than planned, but nevertheless much better than estimated at the beginning of the year. This points to a significant improvement in operations in the second half of the year as the consequence of appropriate and prompt measures. The negative result was the consequence of the very low demand for durable consumer goods, poor liquidity of buyers, a poor financial situation in some of the Group's key markets, devaluation of currencies in non-euro countries, declining value of investments, and increased interest rates.

The Supervisory Board has established that the Annual Report for 2009, as prepared by the Management Board and reviewed by the auditing company, has been compiled clearly, transparently and in line 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 of the parent company and the Gorenje Group.

On the basis of the above-mentioned findings, the Supervisory Board approved at its meeting held on 16 April 2010 the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the year 2009 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 decided that the net loss for the 2009 financial year in the amount of EUR 6,083,995.50 would be charged against retained net profit in the amount of EUR 7,012,593.42, which has been approved by the Supervisory Board.

The Management Board and the Supervisory Board of the Company have proposed to the General Meeting of Shareholders that the accumulated profit for the 2009 financial year in the amount of EUR 928,597.92 remain unappropriated.

In preparing the proposed resolution on the covering of losses for 2009, the Management Board and the Supervisory Board gave due consideration to the applicable provisions of the Companies Act and the Articles of Association of Gorenje, d.d.. Given the fact that the Company operated with losses in 2009, the Management Board and the Supervisory Board propose that dividends not be paid out in 2010.

The Supervisory Board further proposes to the General Meeting of Shareholders that the members of the Management Board be discharged of their duties in 2009.
This report was prepared by the Supervisory Board in accordance with the provisions of Article 282 of the Companies Act (ZGD-1) and is addressed to the General Meeting of Shareholders.

Velenje, 16 April 2010

Dr. Jože Zagožen
Chairman of the Supervisory Board

Gorenje Group

The Gorenje Group is ranked among the leading European manufacturers of home appliances boasting a sixty-year history. Our technologically perfected, superiorly designed and energy-efficient home appliances under the brand names of Gorenje, Atag, Mora, Pelgrim, Etna, Körting and Sidex are improving the quality of living of users of our products in seventy countries around the globe.

In addition to household appliances, we have complemented our offer with our own programme of kitchen and bathroom furnishings, as well as a wide range of products for the home. In past years, the Company has been strengthening its activities in the segments of environmental protection, energy management, and services, where we are employing our skills and forty years of experience in environmental protection, as well as identified business opportunities in various areas having a higher potential growth than our core activity.

For almost half a century, we have been expanding our international sales network on all continents. With a ninety percent share of exports, we are the most internationally oriented Slovenian company.

In 2009, Gorenje generated EUR 1.2 billion in sales revenue with on average 10,907 employees. Our largest division, Household Appliances, generated approximately 98 percent of its revenues in European markets.

Gorenje Group and its divisions

Home Appliances Division

The Home Appliances Division is the most important division of the Gorenje Group, contributing a 78-percent share to the Group's total sales revenue. The division is primarily focused on the manufacture and sale of highly innovative and superiorly designed refrigerators and freezers, cooking appliances, washers and dryers. These are complemented by a supplementary programme of consumer electronics and small household appliances, the manufacture and sale of heating-thermic appliances, toolmaking, and the manufacture of industrial equipment and mechanical components. The products of this division are available in seventy countries, its most important markets being Eastern and Western Europe. Read more about the division's sales here.

Home Interior Division

The Home Interior Division is engaged in the manufacture and sale of kitchen and bathroom furnishings, sanitary equipment and ceramic tiles. Its products are sold in the markets of Southeastern Europe, where the Company intends to strengthen its presence. The division generates approximately four percent of the total sales revenue of the Gorenje Group. Read more about the division's sales here.

Ecology, Energy and Services Division

The Ecology, Energy and Services Division provides services in the areas of trade, engineering, agency services, restaurant and catering services, tourism, and real estate management. Through the activities in this division, we are utilising our knowledge and forty years of experience in environmental protection, as well as identified business opportunities in various areas having a greater potential for growth than our core activity. This division contributes an 18-percent share to the total sales revenue of the Gorenje Group. Our key service in the field of environmental protection is integral waste management for the needs of industrial companies. Read more about the division's sales here.

Vision, mission, values

VISION

To become the most original, design-minded creator of home appliances devoted to sustainable development and able to flexibly adapt to customers' needs.

MISSION

We create original, technologically perfected, superiorly designed, user and environment friendly products for a comfortable home.

We are focused on increasing customer satisfaction and creating value for all our stakeholders in a socially responsible manner. Strongly aware of key global trends and challenges, we are developing rapidly growing fields with above-average returns.

VALUES

In pursuing our vision, mission and strategic objectives, we foster those values that are united in the word POLKA: probity, openness, loyalty, creativity and ambition. To achieve the goals embodied in our new strategic plan, we have added two new values: responsibility and effectiveness.

Probity - In our operations we are honest to ourselves, co-workers, the Company, and all stakeholders. We follow high legal and moral standards, and expect high standards from our co-workers and business partners.

Openness - We are open to new challenges, changes, and different opinions. We operate transparently, and promptly inform the public on all important events in our group.

Loyalty - One of our most important competitive advantages is motivated employees committed to achieving the goals of the Gorenje Group.

Creativity - We are seeking solutions enabling us to improve the quality of business processes and create products and services providing a better lifestyle quality for our users.

Ambition - We are upgrading the attained goals with new ones.

Strategic objectives

Under the impact of constant changes being brought into the business, social and political environments by the processes of globalisation, consolidation within the branch, lifestyle trends, and in particular the global economic crisis, Gorenje must continuously improve its performance. For this reason we always respond to new challenges quickly, flexibly and efficiently.

As part of a global industry whose development is hard to predict at present, the Gorenje Group has also found itself in a delicate situation. Based on an analysis of the current situation, circumstances, trends, and potential directions of the branch's development, the Company laid out at the end of 2009 an ambitious Strategic Plan of the Gorenje Group for the 2010-2013 period. Relying on the efficient management of business processes, the plan sets solid foundations on which to build our future.

Read how we intend to achieve the set goals in 2010 here.

BASIC STRATEGIC OBJECTIVES

To successfully pursue our vision and mission, our business activities will be focused on the implementation of five basic strategic policies.

Boosting sales of upmarket products. Intensifying sales of products and services with high profit margins within our core activity through a systematic approach to brand management, innovation and design.

Raising process excellence and cost efficiency. Attaining process excellence and the resulting cost efficiency in all fields of our operation.

Moving production to countries with lower labour costs. Increasing purchasing activities in low cost environments, moving the production of products with lower added value outside of Slovenia, and optimising overhead costs (outside direct manufacturing).

Expansion to business segments with higher added value. Intensive expansion to business segments with higher returns within strategic activities.

Expansion to markets with anticipated high growth rates. Directing sales to markets with at least twice the growth rate of the average global gross domestic product growth.

KEY OBJECTIVES OF OPERATIONS UP TO 2013

The Gorenje Group will attain the following results by the year 2013:

- at least a 5-6% operating margin,
- an added value per employee of at least EUR 40 thousand,
- basic financial ratios above the competitor average,
- a positive economic profit (premium above the weighted average cost of capital - WACC).

Gorenje Group Dividend Policy

The dividend policy of the Gorenje Group and the parent company in the strategic period will remain consistent with the policy effective before 2009. This means that up to one third of the Gorenje Group's net profit for the period will be appropriated for dividend payment.

BASIC PLANNING GUIDELINES

The Strategic Plan of the Gorenje Group is a consolidated aggregate of strategic plans of divisions and companies operating therein. It is therefore comprised of the strategic plans of subsidiaries and their consolidated aggregates - divisions.

The strategic plan does not include the positive or negative effects of the following processes and activities:

- disinvestment of nonstrategic material and financial assets that have failed to deliver the required synergy effects or returns,
- mergers and acquisitions that are of key importance for the development of the Gorenje Group,
- transfers of parts of business activities from the parent company to low-cost locations, and
- equity increase at the parent company as a necessary element of financing the stable medium- and long-term business growth of the Gorenje Group as a whole.

The projection of the strategic plan has been prepared under the assumption of self-financing and a lower level of investments compared to depreciation, where the free cash flow will mostly be used for the redemption of debts. Investments generally directed towards the development of new products will, in the planned amounts, ensure the organic growth of revenues foreseen in the plan.

The strategic plans do not foresee any possible effects of capital increase, which could be carried out as early as in 2010. The resources acquired through capital increase will be utilised for acquisitions, as well as the restructuring of existing and the accelerated development of new activities of the Home Appliances Division and the Ecology, Energy and Services Division, where higher returns are expected.

STRATEGIC OBJECTIVES OF DIVISIONS OF THE GORENJE GROUP

Home Appliances Division

The Gorenje Group will achieve its strategic goals in the Home Appliances Division through the growth of business activities above the average level of competitors. Special emphasis will be placed on the growth of profitability and free cash flow, which will be attained through high focus on innovation and a higher overall brand positioning. We shall strive for a high level of business excellence by creating attractive value for customers.

The performance of the Division's business activities will be linked to:

- **products** (covering all price segments; establishing powerful product management; optimising product platforms and codes; further development of the complementary and supplementary programmes; high product quality must follow design excellence);
- **distribution** (intensifying cooperation with international retail chains and penetration into kitchen studios, utilising the internet as a sales channel, and developing new markets);
- **pricing policy** (increasing the average price index, improving the market share), and
- **promotion** (adapting sales stories to individual markets; repositioning brands; design as a key competitive advantage; innovations and technological competency, comprehensive service for retailers, quality after-sales services).

Home Interior Division

The key strategic goal of the Home Interior Division is to become a leading provider of kitchen furnishings and one of the top three providers of products from the other three business programmes of the division (bathroom furnishings, sanitary equipment and ceramic tiles) in Southeastern Europe.

Ecology, Energy and Services Division

The area of environmental protection is the core activity of the Ecology, Energy and Services Division, in which the Gorenje Group has a direct, strategic business interest. The Gorenje Group will attain controlling (at least 50 %) shares in companies engaged in this activity. The Group's key strategic goal in the area of environmental protection is to become the largest provider of integral waste management services in Southeastern Europe.

The companies engaged in energy business are considered financial, portfolio investments for which the Gorenje Group has defined adequate returns that are controlled through active management by the cooperation of our representatives in the supervisory bodies of these companies.

The companies engaged in services are considered capital investments whose return on invested capital (ROIC) must exceed the average cost of capital (WACC) in the medium term.

Gorenje Group and its business activities

The year 2009 was marked by a sharp decline in sales in the first half of the year, when the full impacts of the global economic crisis began to unfold in our lines of business. In 2009 the Gorenje Group jointly generated EUR 1.2 billion in sales, which is EUR 144.8 million (10.9 percent) less than in the previous year. Despite the decline, the Company strengthened its position and acquired market shares in its key home appliance markets.

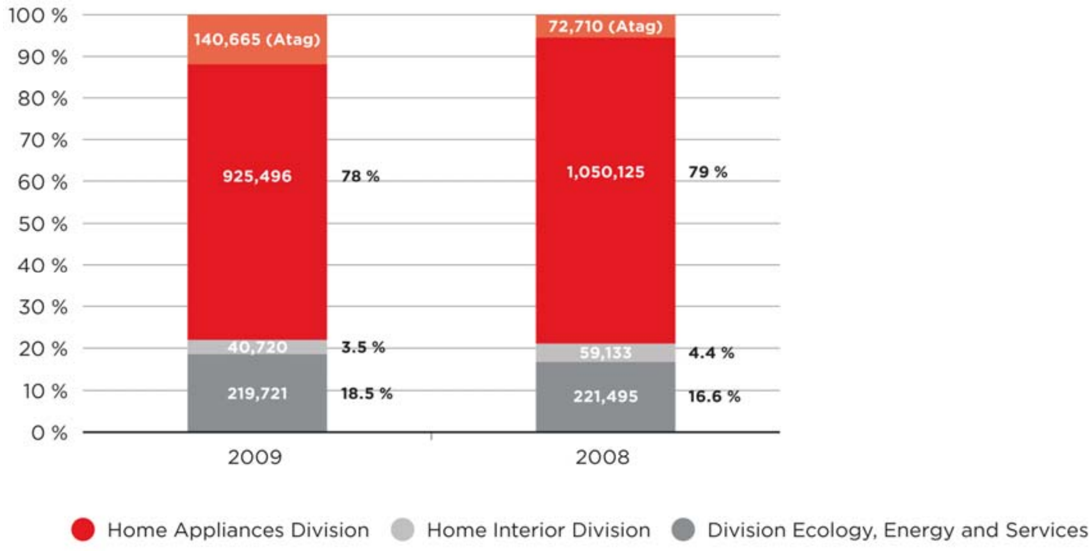
In times of financial crisis, consumers are always more cautious and prone to postponing purchases of more durable goods for fear of losing their jobs. The low liquidity of the financial system caused banks to stop financing consumption. The declining economic activity reduced tax income, while rising unemployment increased budget expenses. Countries experienced budget difficulties, which led to the devaluation of local currencies in Eastern European countries. Consequently, the prices of the Company's products in these markets additionally increased, reducing sales.

Sales Revenue by Division

	Home Appliances		Home Interior		Ecology, Energy and Services		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from sales to others	925,496	1,050,125	40,720	59,133	219,721	221,495	1,185,937	1,330,753
Inter-division sales	3,955	9,955	14,454	22,481	6,779	7,839	25,188	40,275

Source: Gorenje Group data.

Sales Revenue Structure by Division



Source: Gorenje Group data. Home Appliances Division Note: The revenue of the Home Interior Division in 2009 includes the total revenue of Atag, which amounted to EUR 140,665 million. The data for this division is not directly comparable to the year 2008, since Atag joined the Company in the second half of the year.

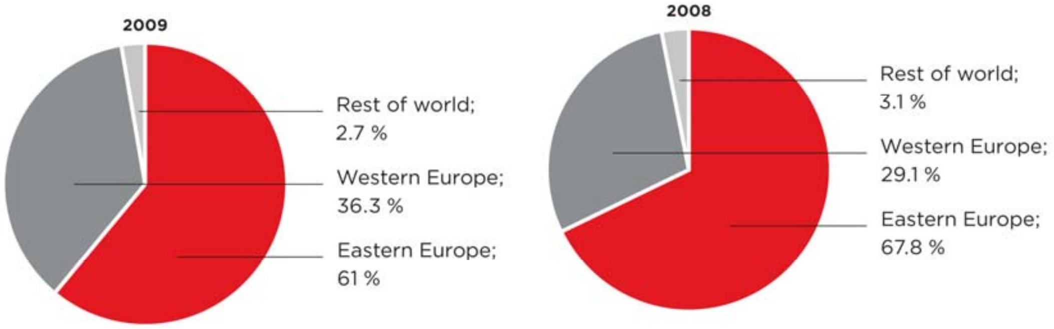
The products of the Gorenje Group are available in seventy countries across the globe. Its key markets are divided as follows: Western Europe, Eastern Europe, and the rest of the world, which comprises the markets of the Middle and Far East as well as all other continents.

Sales Revenue by Geographical Segment

	Western Europe		Eastern Europe		Rest of World		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from sales to third parties	430,771	387,342	723,096	901,691	32,070	41,720	1,185,937	1,330,753
Total assets	300,862	277,774	876,838	921,331	977	58,627	1,178,677	1,257,732
Investments	4,491	2,201	24,240	74,603	1	3	28,732	76,807

Source: Gorenje Group data.

Sales Revenue Structure by Geographical Segment



Source: Gorenje Group data.

EXPECTED GROWTH AND PROMISING MARKETS

One of the Gorenje Group's fundamental strategic policies is to increase sales activities in markets with at least twice the growth rate of the average global gross domestic product. One such market is the BRIC group of countries. Our first activities in Brazil and India were begun in 2009, when preparations went under way for the development of appliances adapted to these markets and their certification. A preliminary market survey is foreseen in both of these countries, to be followed by subsequent steps for entry into these markets.

Important development steps are also planned in traditional markets. In Western European markets, we intend to resume activities aimed at improving the recognisability and reputation of brand names, and at least take advantage of the partial recovery of these markets, expected in 2010. Sales growth is assessed at four percent.

Eastern European markets are particularly interesting for the Company because the profitability achieved in these markets is higher than in other markets. In 2010 the Company will further strengthen its position in existing markets, e.g. Kazakhstan, and conquer new markets in this region. A seven percent growth of sales volume is planned in Eastern European markets in 2010.

GOAL-ORIENTED ACTIVITIES

Sales targets will be achieved through the implementation of strategic policies of the Gorenje Group, i.e. by successful management of the Group's brand names, increased sale of upmarket products, and the expansion of our product portfolio (introduction of new product lines). In addition, we plan to expand our own retail network in markets where our brands are highly recognisable, increase our presence in all distribution channels, and search for new buyers and new markets.

Innovations and products

The crisis in our key markets additionally motivated us to present to customers in 2009 even more products and lines featuring a high degree of innovation both in technology and design.

We launched a new line, **Gorenje Simplicity**, featuring simple control of appliances with a single logical knob. The line was created as a response to modern lifestyle trends and the needs and wishes of today's consumers for a simpler and fuller life.

At the IFA fair in Berlin, the Company presented, for the first time, the **Gorenje designed by** Karim Rashid collection (link: Gorenje pop up products), remaining faithful to its strategy of cooperating with great names in design. Designer Karim Rashid describes the collection as a minimal fusion of functionality, interactivity and purity. Special attention should certainly be drawn to its innovative MoodLite technology, whose vertical LED light strip is the main distinguishing element of these superiorly designed appliances. Its many colour versions allow the user to freely adjust the ambience to one's lifestyle or simply to one's current mood or inspiration.

In our new **Gorenje Retro** collection, we upgraded the form of the past with the technology of the future, adding a touch of trendy boldness in an exciting array of new colours championed by fashion pundits. Contemporary consumers desire more individualism and daring, lively, playful and invigorating colours in their homes. The appliances in this collection are available in three styles: Chic, Vintage, and Funky.

We also began to sell **Gorenje for iPod** products, a unique combination of refrigerator and iPod touch music player. The goal of this new product is to bring the use of home appliances closer to contemporary consumers with the help of information technology, making them increasingly easier to use and more entertaining. The functionality of this high-tech fridge-freezer appliance is complemented by a wireless internet connection enabling one to search, browse, and play videos featuring advice, recipes and other contents.

Gorenje continued to introduce a new generation of patent-protected cooking appliances, such as the HomeMade oven and the DirecTouch function. New innovative solutions featuring lower energy consumption were continuously being incorporated in these products. A range of new products of the A++ energy class were introduced in the fridge-freezer line of appliances.

New products were developed in the Home Interior Division, uniting the knowledge and experience of all business segments within the division. Strong emphasis was also placed on research activities, cooperation with external institutions, and the unification of kitchen programmes.

The new kitchen models are based on recent furniture trends, feature stylish elements and trendy colours, and offer buyers a multitude of possibilities for adjusting forms.

The most important achievements in the development of home interior products were:

- commencement of a unified kitchen furnishings project,
- completed development of the Taja bedroom,
- development of new designs of ceramic tiles,
- development of new bathroom fittings and sinks,
- development of living rooms and vestibules.

In 2010 the Company plans to completely renew its product line of kitchen furnishings.

Communication and marketing

Owing to the declining demand for household appliances in European markets, the company reduced its marketing expenses by 41 percent. In 2009, these expenses accounted for 1.17 percent of the Group's sales revenue. Marketing activities were focused on the direct promotion of sales. More cost-effective promotional tools were also used to increase the reputation of our brand. The European Brand Institute based in Vienna has assessed that the Company's brand value increased by EUR 13 million to EUR 458 million in 2009. Gorenje thus continues to be the Slovenian brand name with the highest value.

In 2009 we completed the comprehensive reconstruction of our web pages, which are now accessible in 35 languages and are visited by 400 thousand users per month. This number is increasing rapidly, and the world-wide web continues to be one of the Company's most important communication channels.

Again this year, Gorenje gave an extremely resounding performance at the most important contemporary electronics and household appliances fair, IFA, in Berlin, where it presented its new products and collections.

Production and quality

Home Appliances Division

In 2009 the majority (73.8 percent) of production activities in the Home Appliances Division were carried out within the framework of the parent company in Slovenia (Velenje), and the remainder in the Czech Republic and Serbia.

The greatest challenge in production was adjusting costs to the considerably smaller production output. In the middle of the year, we intensified our comprehensive review of costs within the scope of the SAP system, which enabled better focusing of activities on areas with potentially higher savings.

The best results were achieved in reducing the costs of material (introduction of components from China and Turkey) and labour (increased productivity, optimised number of employees). Examples of good practice were promptly transferred from factories in Velenje to other plants.

The Gorenje Group operates according to the established international standard quality management system ISO 9001, ISO 17025, which regulates the operation of all processes directed towards the needs, requirements and expectations of customers. The efficiency of the system is verified by internal and external evaluations conducted by the TUV certification authority.

PRODUCTION VOLUME OF HOUSEHOLD APPLIANCES

	2009	2008	2007	2006	2005
Slovenia	2,076,400	2,699,647	3,016,916	3,167,252	2,998,196
Czech Republic	334,443	419,894	413,875	434,766	388,090
Serbia	402,821	385,499	445,626	52,972	-
Total	**2,813,664**	**3,505,040**	**3,876,417**	**3,654,990**	**3,386,286**

Source: Gorenje Group data

Cooling Programme

The manufacture of refrigerators, freezers and cooling equipment is carried out at the production location in Velenje within the framework of the parent company, and at a production location in Valjevo, Serbia (Gorenje aparati za domacinstvo, d.o.o.). In 2009, the main activities in this programme were focused on launching the production of new appliances (Simplicity line) and increasing the energy efficiency of eight existing types of appliances to A++. In the middle of the year, the Company ordered a new assembly line on which it will be possible to manufacture appliances with a panel structure up to a width of 900 mm.

Cooking Programme

The manufacture of cooking appliances is carried out within the framework of the parent company in Velenje and at a production location at Mariánské Údolí in the Czech Republic (Mora Moravia s.r.o.). In 2009 we launched a new generation of NG3 cooking appliances, and then immediately began to upgrade them within the scope of the NGVA3 Piroliza project. This is an oven equipped with a self-cleaning function. We began to manufacture a new generation of G5 induction hobs, and successfully conducted the trial manufacture of gas cookers on glass-ceramic plates within the scope of the GOG project.

Wet and Dry Programme

The manufacture of washers and dryers is carried out at the production location in Velenje within the framework of the parent company. In 2009, the majority of activities in this programme were focused on the development of an energy-efficient condenser dryer with a capacity of up to nine kilograms of laundry, equipped with an integrated steam generator and a LED light, with which we are following world trends in increased washer and dryer loads. The launch of production of steam generator dryers is scheduled in April 2010.

Special attention was devoted to energy efficiency, which in washers with six and seven kilogramme loads was improved from class A to class A+ (-10 percent). A novelty in the market is a self-cleaning programme which eliminates problems caused by environment-friendly laundry washing methods. The latest washing programmes enable washing at much lower temperatures and with considerably less water than in the past. We developed a super-short, only 17-minute-long washing programme for less dirty laundry.

Other Programmes

In addition to the above-mentioned, the division also has the following programmes:

- two supporting programmes which manufacture in-built components for home appliances:
    - the Mekom mechanical component programme carried out within the framework of the parent company and at production locations in Velenje, Šoštanj, Bistrica ob Sotli, and Rogatec;
    - the IPC programme (entrepreneurial centre for disabled persons) carried out within the framework of the Gorenje I.P.C. company, with programmes at locations in Velenje and Šoštanj;
- a programme of thermic and heating appliances carried out within the framework of the company Gorenje Tiki, d.o.o. at production locations in Ljubljana and in Stara Pazova in Serbia;
- and a factory for the manufacture and assembly of wheeled vehicles, Indop, d.o.o., in Šoštanj.

Home Interior Division

The Home Interior Division comprises six basic production programmes. Of these, three are kitchen programmes: Gorenje, Marles and KA kitchens, and three are other programmes: furniture, bathrooms, and ceramics.

The division has production locations in Velenje, Šoštanj, the village of Gorenje, Nazarje, and Maribor. In 2009, its activities were focused on the continuous improvement of product quality as well as the optimisation of production costs. Special attention was devoted to the introduction of components from the Far East (China), as well as the unification of materials and semi-finished products at several production locations. Work was also begun on a project aimed at increasing productivity, which will be continued in 2010.

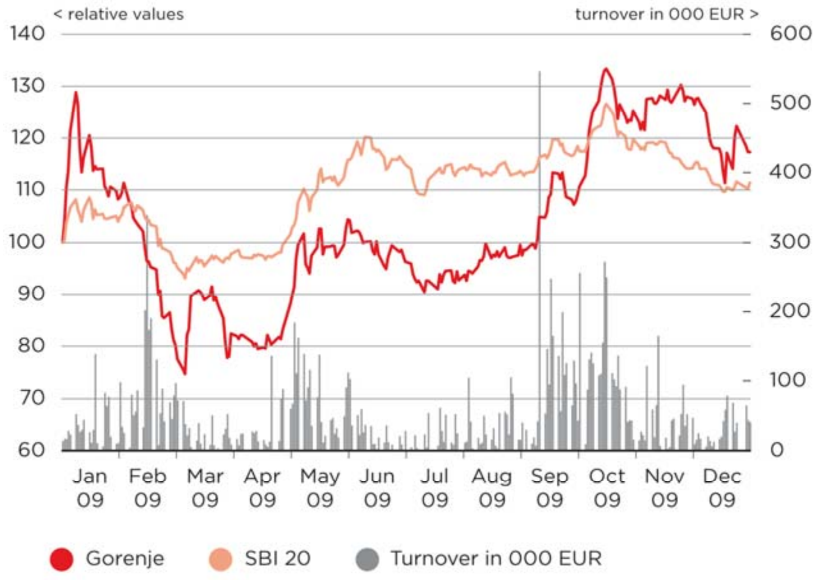
Shares of Gorenje and investor relations

SHARE PRICE IN 2009

The high level of uncertainty caused by the financial crisis and the recession reduced the prices of shares on international stock exchanges in 2008. The shares of household appliance manufacturers are among those that were most hard hit by the price drop.

In 2009 followed a strong rebound on developed markets, which for various reasons was not entirely followed by Slovenian shares. Consequently, the Ljubljana Stock Exchange index, SBI 20, rose only ten percent in 2009. Gorenje shares surpassed the index growth by eight percentage points, increased by 18.1 percent, and concluded the year at EUR 12.4.

Relative Price Movements of Gorenje Shares and the SBI 20 Index in 2009



Source: Ljubljana Stock Exchange

Some Indicators of GRVG Shares

	2009	2008	2007	2006	2005	2004
SHARES OUTSTANDING (in millions)	14.03	14.03	14.03	12.20	12.20	12.20
NUMBER OF OWN SHARES (at period end)	121,311	121,311	1,183,342	1,183,342	717,192	251,042
NUMBER OF SHARES IN TRADING (at period end)	13,908,689	13,908,689	12,846,658	11,016,658	11,482,808	11,948,958
NUMBER OF SHAREHOLDERS (at period end)	21,623	21,359	19,779	17,168	18,075	19,118
TURNOVER (in millions of EUR)	13.70	46.00	123.30	30.30	21.10	40.30
AVERAGE MARKET CAPITALISATION (in millions of EUR)	154.20	412.10	473.30	282.70	295.70	320.70
VALUE TURNOVER (turnover/average MC)	0.09	0.11	0.26	0.11	0.07	0.13
BOOK VALUE OF SHARE (in EUR) (Total equity/(No. of shares – own shares))	21.87	22.47	24.60	18.99	18.34	18.69
PRICE in EUR (at period end)	12.41	10.51	42.42	26.65	22.63	27.00
MARKET TO BOOK VALUE OF SHARE	0.57	0.47	1.72	1.40	1.23	1.45
DIVIDEND YIELD single price at year end	-	4.30 %	1.00 %	1.60 %	1.80 %	1.50 %
GROSS DIVIDEND (in EUR)	-	0.45	0.42	0.42	0.42	0.42
EARNING PER SHARE in EUR (Net profit of Gorenje/No. of shares – own shares))	-0.44	0.89	1.03	1.08	1.07	0.95
P/E (single price at year end/earnings per share	-	11.80	41.20	24.60	21.10	28.50

Source: Ljubljana Stock Exchange, own calculations
Notes:
* Number of issued shares – own shares.
** Unconsolidated data is used in all calculations.

Basic Information on GRVG Share

Quotation of shares	Ljubljana Stock Exchange
Number of ordinary registered no par value shares	14,030,000
Issued GRVG shares	Are of the same class and entitle their holders to proportional management, i.e. one vote per share.
Stock exchange listing	GRVG
Own shares	121,311 shares or 0.8647 %
Highest and lowest single price in 2009	EUR 14.11 and EUR 7.90
Market capitalisation at end of 2009	EUR 174.1 million
Symbol	Bloomberg GRVG:SV Reuters GORE.LJ

Source: Gorenje Group data

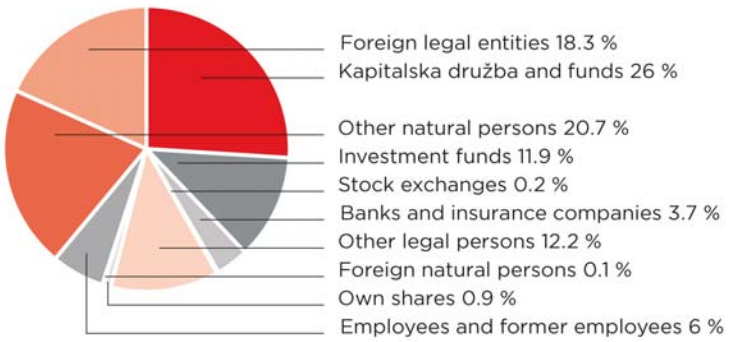
OWNERSHIP STRUCTURE

Ten Major Shareholders

Shareholder	No. of shares	Equity interest	Place	Country
KAPITALSKA DRUžBA, D.D.	3,534,615	25.19 %	Ljubljana	Slovenia
HOME PRODUCTS EUROPE B.V.	1,070,000	7.63 %	Velp	Netherlands
INGOR, d.o.o., & co., k.d.	794,473	5.66 %	Ljubljana Črnuče	Slovenia
KD GALILEO	564,984	4.02 %	Ljubljana	Slovenia
RAIFFEISEN ZENTRALBANK AG	467,571	3.33 %	Vienna	Austria
PROBANKA, d.d.	412,276	2.94 %	Maribor	Slovenia
EECF AG	411,727	2.93 %	Zürich	Switzerland
KD ID, delniška ID, d.d.	333,957	2.38 %	Ljubljana	Slovenia
TRIGLAV VZAJEMNI SKLADI	322,090	2.30 %	Ljubljana	Slovenia
KD RASTKO	232,593	1.66 %	Ljubljana	Slovenia
Total ten major shareholders:	8,144,286	58.05 %		
Total:	**14,030,000**	**100 %**		

Source: Central Securities Clearing Corporation http://www.kdd.si/

Ownership Structure as at 31 December 2009



Source: Central Securities Clearing Corporation http://www.kdd.si/

Equity interests of foreign investors by country

Country	Equity interest
Netherlands	7.74 %
Austria	4.95 %
Switzerland	2.97 %
Luxembourg	0.79 %
USA	0.43 %
France	0.42 %
Sweden	0.30 %
Croatia	0.30 %
Finland	0.15 %
Ireland	0.13 %
United Kingdom	0.06 %
Belgium	0.05 %
Germany	0.04 %
Cyprus	0.03 %
Bosnia & Herzegovina	0.02 %
Macedonia	0.02 %
Montenegro	0.01 %
Czech Republic	0.01 %
Italy	0.01 %
Canada	0.01 %
Serbia	0.01 %
Israel	0.01 %

Source: Central Securities Clearing Corporation http://www.kdd.si/

Also among the shareholders are investors from Japan, Argentina, Paraguay, Australia, Hungary, and Russia. On 31 December 2009, foreign investors owned 18.44 percent of Gorenje's shares.

Number of shares owned by members of the Supervisory and Management Boards

	31 Dec 2009			31 Dec 2009	
	No. of shares	Equity interest		No. of shares	Equity interest
Supervisory Board total	**14,146**	**0.1008 %**	**Management Board total**	**13,230**	**0.0943 %**
Ivan Atelšek	9,497	0.0677 %	Franjo Bobinac	2,096	0.0149 %
Peter Kobal	1,355	0.0097 %	Drago Bahun	9,032	0.0644 %
Drago Krenker	920	0.0066 %	Franc Košec	1,380	0.0098 %
Krešimir Martinjak	115	0.0008 %	Mirjana Dimc Perko	96	0.0007 %
Jurij Slemenik	1,738	0.0124 %	Branko Apat	626	0.0045 %
Jože Zagožen	466	0.0033 %			
Gregor Sluga	55	0.0004 %			

Source: Gorenje Group data

OWN SHARES AND VOTING RIGHTS

On the last day of 2009, Gorenje, d.d. had 121,311 own shares, which represents a 0.8647-percent share in the capital of the Company.

The Company's Articles of Association stipulate that one share entitles its holder to one vote, but own shares do not have voting rights. The Articles of Association do not contain any provisions invalidating the proportionality of rights arising from share ownership, such as the rights of minority shareholders or restrictions of voting rights, and do not have any adopted resolutions on conditional increase of capital.

GENERAL MEETING OF SHAREHOLDERS AND THE DIVIDEND POLICY

Summary of resolutions adopted at the 13th General Meeting of shareholders of Gorenje, d.d. on 18 June 2009:

1. The accumulated profit for the 2008 financial year in the amount of EUR 35,062,963.38 shall be appropriated as follows:

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

2. The members of the Management Board and the Supervisory Board of the Company shall be discharged of their duties in the 2008 financial year.

Determination of meeting attendance fees for members of the Supervisory Board: Pursuant to Article 25 of the Articles of Association of Gorenje, d.d., the meeting attendance fee for the period from 18 June 2009 to 31 December 2010 shall be EUR 536.25 for the Chairman of the Supervisory Board and EUR 412.50 for members of the Supervisory Board. An 80-percent meeting attendance fee shall be payable for correspondence sessions and meetings of Supervisory Board committees. For the validity of this resolution, the resolution adopted by the General Meeting of Shareholders on 14 June 2007 shall not be applicable.

Change of registered business activities and amendment of Articles of Association: The General Meeting authorizes the Supervisory Board, in accordance with the provision of Article 2 of the Decree amending the Decree on the Standard Classification of Activities (Official Gazette of the Republic of Slovenia, no. 17/2008), to bring the existing activities specified in the Articles of Association in line with the new activities specified in the Decree and, on the basis of activities harmonised in such manner, to adopt the consolidated version of the Articles of Association.

Appointment of auditor: The auditing company KPMG Slovenija, podjetje za revidiranje, d.o.o., Ljubljana, Železna cesta 8a, is appointed auditor for the 2009 financial year.

DIVIDEND POLICY

The dividend policy of the Gorenje Group for the 2010-2013 period specifies that up to one third of the net profit of the Group shall be allocated for the annual payment of dividends.

The dividends paid out in previous years are presented in the table.

THE FINANCIAL CALENDAR FOR 2010

Financial Calendar for the Year 2010

Type of release	Anticipated release date
- Discussion of the Strategic Plan for the 2010–2013 period	Friday, 15 Jan 2010
- Summary of unaudited financial statements of Gorenje, d.d. for the year 2009 - Summary of unaudited financial statements of the Gorenje Group for the year 2009	Friday, 15 Jan 2010
- Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2009 - Statement of Compliance with the Corporate Governance Code for Public Joint-stock Companies	Thursday, 22 Apr 2010
- Report on the Business operation of Gorenje, d.d. and the Gorenje Group in the period from January-March 2010	Tuesday, 8 Jun 2010
- Resolutions of the 15th Regular General Meeting of Shareholders of Gorenje, d.d.	Friday, 16 Jul 2010
- Report on the Business Operation of Gorenje, d.d. and the Gorenje Group in the period from January–June 2010	Tuesday, 26 Aug 2010
- Report on the Business Operation of Gorenje, d.d. and the Gorenje Group in the period from January–September 2010	Thursday, 4 Nov 2010
- Summary of Assessment of Business Operation in the year 2010 and the Business Plan for the year 2011	Monday, 20 Dec 2010

Note: the financial calendar is accessible at: http://seonet.ljse.si/Default.aspx?doc=SEARCH&doc_id=39523

Controlled and other price-sensitive information is published on the website of the Ljubljana Stock Exchange via the SEOnet system, on the website of the Gorenje Group, while certain other information prescribed by the Articles of Association (e.g. convening of general meetings) is also published in the Delo newspaper.

Any alterations of anticipated release dates will be duly announced on the website: www.gorenje.com.

COMMUNICATION WITH INVESTORS

In 2009, the Company had 34 announcements in both the Slovenian and English languages on the web portal Seonet 34. This includes both periodical and ad hod announcements. All of these were made in a part of the day when trading was not conducted on the Ljubljana Stock Exchange, and the time difference of announcements in both languages was minimal - in most cases less than a minute.

The key goals of relations with investors in the Gorenje Group are:

- to provide an information base enabling effective share valuation,
- to improve corporate disclosures,
- to acquire broader coverage of analysts,
- to improve the recognisability of the Management Board,
- to develop an appropriate ownership structure,
- to increase group coverage in the financial media, and
- to ensure proper presentation of the Company's/Group's data in professional data bases (Bloomberg, Reuters, etc.).

After publishing our quarterly results in 2009, we intensified activities aimed at direct communications with investors. We introduced meetings intended primarily for Slovenian investors and financial analysts, as well as the representatives of financial investors. Their principal purpose is to present in more detail the business results, the Management Board's vision of the Group's development, and the measures taken to control the financial crisis. A video film from the first such meeting is available on our web pages.

For the second consecutive year, we issued a magazine for Gorenje shareholders named »Delnicar.g« (shareholder. We are always at the disposal of all investors - large and small - for providing answers to concrete questions. Communications with major investors are carried out in the form of conferences, individual or group meetings, correspondence sessions, individual or group meetings, conference calls (especially after the publication of periodical results), or on our web pages, and similar. Communications with minor investors are carried out by phone, E-mail, and classic mail. The responses to their questions are delivered immediately or in the shortest possible time.

We communicated with foreign investors at »road shows« abroad, to which we were invited by investment bankers and the Ljubljana Stock Exchange (Frankfurt, Zürich, Prague, Vienna, Stegersbach). In the first half of 2009, a number of road shows were cancelled because of the financial crisis, but these were replaced by meetings with interested investors at the seat of the Company.

All public announcements in English are sent to international press agencies, foreign media, investors, and analysts through a distribution system, i.e. mailing lists, which at present includes more than 120 recipients.

In line with one of our fundamental goals in the area of investor relations - acquiring broader coverage from analysts - we are encouraging analysts to actively cooperate with us. We are always at their disposal for commentaries and additional explanations of public announcements, thus contributing to the objectivity of information in their analyses.

The quality of our work is also confirmed by an acknowledgement for best investor relations team granted to the Company in 2009 by the Ljubljana Stock Exchange. In the opinion of the evaluation committee, we earned this award for our exceptional efforts and professionalism in communications with investors both in daily contacts as well as at exemplarily organised meetings with investors in Slovenia and abroad.

CONTACT

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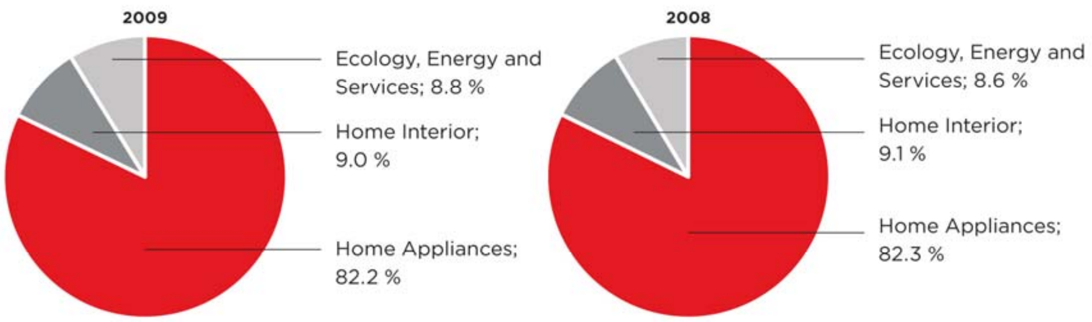
bojana.rojc@gorenje.si

Report on corporate social responsibility

EMPLOYEES

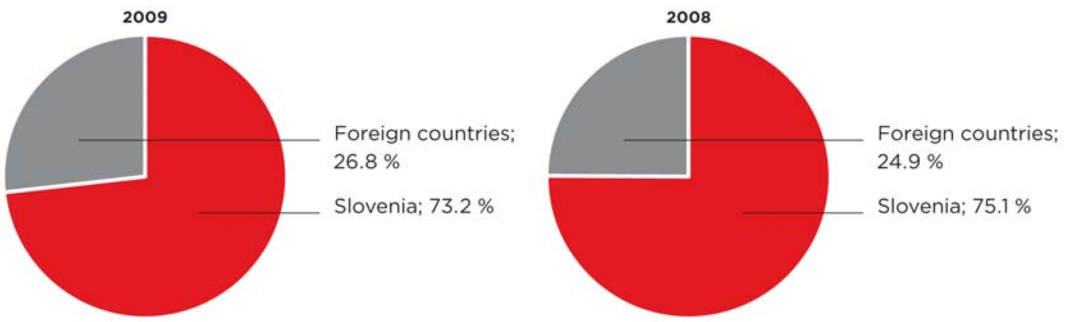
At Gorenje, our belief in the significance of employees for the success and development of the Company strengthened in the past year when, despite the sharp decline in the volume of orders, we managed to do a great deal to guarantee social security and the preservation of jobs. We are well aware what the preservation of jobs means for social security and the quality of life of employees and their families. Moreover, we have assessed that the situation in our key markets will soon improve. When it does, it will be necessary to quickly respond by increasing the production volume, and the demands regarding quality and responsiveness to customer needs will be even more rigorous than in the past. Those employees who have adequate knowledge, experience, are motivated, and see opportunities for personal and career development in the Gorenje Group will then represent an important competitive advantage against certain other companies in the branch which had aggressively begun to dismiss workers.

EMPLOYEES OF THE GORENJE GROUP BY DIVISION



Source: Gorenje Group data

EMPLOYEES OF THE GORENJE GROUP BY COUNTRY OF EMPLOYMENT



Source: Gorenje Group data

EMPLOYEES AND ANTI-CRISIS MEASURES

In some companies of the Gorenje Group based in Slovenia, employees had shortened working hours for the majority of the past year, while others were temporarily laid off. During this time, the Company organised various forms of additional training in order to teach employees new skills for work in different jobs. This will provide for their greater flexibility within the Gorenje Group, and allow the Company to respond quickly to changing market demands.

Reduced working hours and temporary layoffs were introduced on the basis of laws passed by the state to assist companies during the financial crisis. The Gorenje Group played an important role in the creation of these laws as an initiator of system solutions for the preservation of jobs.

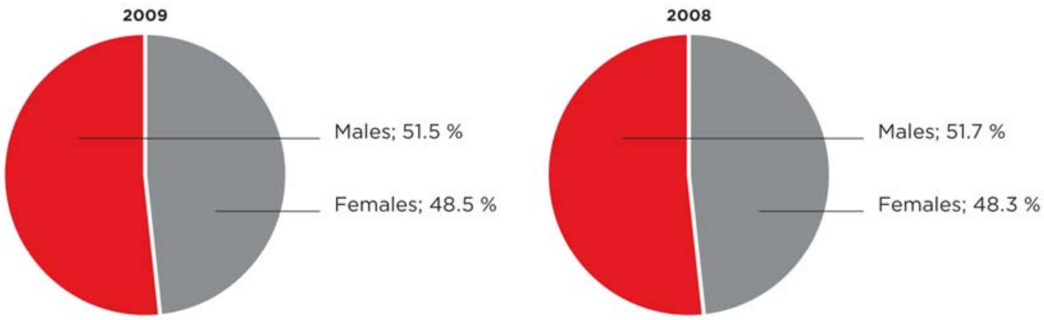
Staff Reductions

The reduction in the number of employees in 2009 was the consequence of the smaller volume of business. The criterion of social security for employees who lose their jobs was duly observed. Owing to the current circumstances and the assistance provided by Gorenje (e.g. offered severance pay), more individuals than in previous years decided to continue their careers with new employers or embark on a new, independent business path.

STRUCTURE OF EMPLOYEES IN TERMS OF GENDER

Slightly less than half of the employees in companies of the Gorenje Group in Slovenia are females. There are more females in companies with large-scale production, and less in places where the majority of jobs require a technical education.

EMPLOYEES OF THE GORENJE GROUP BY GENDER



Source: Gorenje Group data Note: Data relates to group companies in Slovenia.

AVERAGE AGE AND HEALTH CARE

In the production companies of the Gorenje Group, the share of employees with disability status is growing, and is linked to the higher average age and smaller recruitment. The average age of employees of the Gorenje Group at the end of 2009 was above 42 years. For this reason we have in recent years been devoting increasingly more attention to strengthening and preserving the health of employees. More emphasis is being given to the ergonomic arrangement of workplaces in order to ensure adequate working conditions and adapt workplaces to the health restrictions of employed disabled persons.

Data on Employees in the Gorenje Group in Slovenia

	Balance at		
	31 Dec. 2009	31 Dec. 2008	Difference
Total employees	7,811	8,449	-8%
Home Appliances Division	6,156	6,649	-8%
Home Interior Division	915	1,004	-10%
Ecology, Energy and Services Division	740	796	-8%
Share of females among employees	48.5%	48.3%	0%
Share of females in managerial positions			
Employees with special needs	839	841	0%
Employee fluctuation (departures)	734	924	-26%
Employee fluctuations (new employees)	161	489	-204%
Average years of service (total)	21 years 9 months	21 years 1 month	+8 months
Average period of employment in the Group	17 years 10 months	17 years 2 months	+8 months
Average age	42 years 6 months	41 years 11 months	+7 months

Source: Gorenje Group data

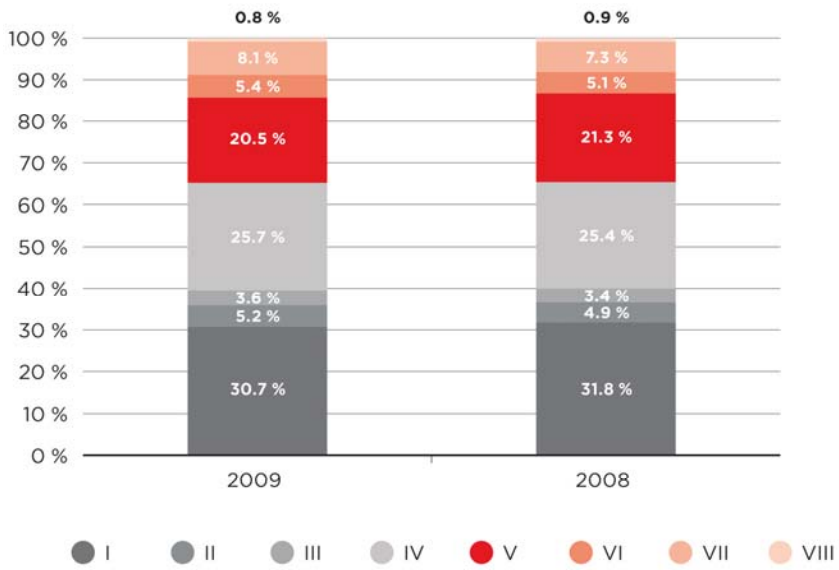
Note: Data relates to Group companies in Slovenia.

Years of Service

The majority of employees usually remain in Gorenje for a very long time (on average more than 17 years). For many, their job at Gorenje is the only employment in their career. This reveals the Company's attitude towards employees and confirms loyalty as one of the fundamental values of the Gorenje Group.

TRAINING AND RECRUITMENT

EDUCATION STRUCTURE OF THE GORENJE GROUP



Source: Gorenje Group data

Owing to the large-scale production of home appliances and interior furnishings, a relatively large share of employees in the Gorenje Group is unskilled or have a lower level of education.

The Gorenje Group is continuing the practice of granting scholarships to young people on the middle, higher and high levels of education even in a time when the total number of employees is declining. Scholarship holders have the possibility of undergoing practical training at Gorenje, the Company provides relevant data required in the preparation of seminar projects and graduation theses, and some of our employees also act as mentors to students.

Employees who wish to continue their studies are encouraged to enrol in part-time studies and are offered financial assistance from the Company. The key criteria for the granting of such assistance are: the selection of a field of study that meets Gorenje's staff requirements, good performance, and an assessment of the employee's potential. Assistance includes the payment of tuition and some other costs, study leave, mentorship, and assistance in the preparation of seminar projects and graduation theses.

All staff needs cannot be covered by scholarships and part-time study, which is why we present our company at job fairs. An important role in the acquisition of new staff is also played by our website and advertisements in the media. Special mention should be made of our collaboration with universities in individual development projects. Universities include students in such projects, and during their work they become acquainted with employment opportunities at Gorenje.

Staff Training

Rapid development in all areas of activity calls for the continuous professional training of employees. This is mostly provided by the Company in the form of internal training. The organisation of this type of training is less costly and more timesaving, allowing for the inclusion of more employees. This is particularly important upon the introduction of new technologies, working procedures, and new methods of operation.

Whenever required, employees are also enrolled in training programmes outside the Gorenje Group - primarily to acquire the most up-to-date knowledge and practices, and discover new trends. Priority is given to key professionals and managerial staff, who are responsible for transferring the acquired knowledge to other employees.

Gorenje Management Academy

The awareness of the need to provide our own staff was the principal reason for the establishment of the Gorenje Management Academy. In 2010, the 22nd generation of students is enrolled in the Academy programme. Promising young staff members are sent to the Academy who have shown high potential for the performance of key professional, development and managerial tasks. Training is organised in several module in the areas of business operation, problem solving, management, and mutual relations.

The Academy's lecturers and mentors are recognised Slovenian experts, professors, as well as professionals and managerial staff members from Gorenje who are authorities in their respective fields of work. Special emphasis is laid on an interdisciplinary approach to work and learning about different fields. In this way, participants acquire a more comprehensive view of the contents and problems they will face in their work.

The key part of training is the preparation of business plans, which demands creativity, integrality, and participation in searching for business opportunities and solving actual problems. These are then presented to the management of the Gorenje Group. Teamwork stimulates the openness of Academy participants for cooperation and mutual assistance, and contributes to the formation of their social and business networks. And such teamwork strengthens loyalty to the Gorenje Group, as well as the professional and business boldness and confidence of young, promising staff.

Stimulating an Innovative Environment

The creation of new and the renewal of existing products and processes is the fundamental task of individual professional fields in the Gorenje Group. Stimulating the innovativeness of all employees is therefore of special importance to the Company. For this purpose we have established the *Iskrice* system, which is designed to identify, discuss and reward innovative proposals of employees regarding products, work procedures, and working conditions. The system has been well received and has attracted a large number of employees. Material remuneration is generally not the principal motive, much more important is the recognition received from the working environment, co-workers and the individual's realisation that he has solved a problem with his own innovativeness, knowledge and experience, and thus contributed to the improved results of the Company.

HEALTH AND SAFETY

The Gorenje Group operates in line with the requirements for a system of safe and healthy work under the OHSAS 18001 standard (Occupational Health and Safety Management Systems). The parent company acquired the certificate in March 2006, followed in April 2007 by the companies Gorenje I.P.C., d.o.o. and Gorenje Orodjarna, d.o.o.

By implementing the activities defined in environmental management and health & safety at work programmes, we have managed to reduce the number of occupational injuries.

OCCUPATIONAL INJURIES IN THE GORENJE GROUP

	DESIGNATION	2006	2007	2008	2009
1.	Number of injuries	186	195	193	124
2.	Frequency	20	23	23	18
3.	Severity	438	560	609	484

Source: Gorenje Group data

Frequency - days of sick leave per million hours worked

Severity - number of injuries per million of hours worked

In line with the relevant methodology and regulatory requirements, periodical safety-technical inspections of working equipment are conducted within the Gorenje Group. Employees undergo preventive medical examinations according to plan. The replacement of personal safety equipment according to the »old-for-new« principle has optimised its purchase costs.

Suitable job positions are sought for employees who return to work after extended sick leave. Funds are regularly invested in equipment for reducing excessive heat loads in the workplace.

Safety-at-work training programme are conducted within the Gorenje Group in line with annual plans. In 2009, periodical training programmes were organised for 1360 employees. Training programmes were also organised for 1000 employees who were temporarily laid off from work. 11,653 hours were utilised for such activities, which accounts for 18.8 percent of the total hours of training.

Recreation

Organised recreational activities are very important way of encouraging employees to maintain a healthy lifestyle. The Gorenje Group organises such activities at the Gorenje Sports Recreation Society, which is also open to the family members of employees.

COMMUNICATION WITH EMPLOYEES AND CULTURE

The purposes of communicating and nurturing good relations with employees are:

- to inform employees on the Company's mission, vision, values and strategy,
- to ensure the carefully planned development of employees according to their abilities,
- to ensure good working conditions, - to stimulate the creativity of employees,
- to develop a dynamic management which responds to changes in the environment,
- to encourage teamwork and entrepreneurship of employees,
- to inform employees on our products and services.

With the above goals in mind, the Company issues the Pika na G magazine (recipient of the Papirus 2009 award for best internal newspaper in Slovenia) and the info.g weekly bulletin, both intended for the internal public of a huge, branched system with a heterogeneous staff structure and business activities. Gorenje also issues the GIB monthly magazine, which provides information on the professional achievements of employees and in-depth contributions of employees.

The Company's employees are welcome to deliver their opinions, proposals and questions into specially designed boxes, via the Open Telephone or the Open E-mail, or attend Open Door Days with the President, where every employee has the opportunity to speak directly with the CEO. Open Board is an anonymous forum on Gorenje's intranet, designed to clarify issues and exchange opinions among employees.

Being aware of the significance of personal contact, we organise business conferences, thematic round table discussion, and informal social gatherings of employees, their families and retirees, as well as excursions and trips.

Culture

We realise how important both the individual and the atmosphere are in the daily rhythm of the Company. That is why stimulating creativity, improving the quality of mutual relations, and following novelties using soft methods of management have become part of our corporate culture. The Gorenje Cultural Society is responsible for expanding values and trends in lifestyle culture in the broadest sense, and also organises art exhibitions, various forms of amateur creative activities and cultural events in the company, as well as visits to superior cultural events throughout Slovenia and Europe.

CORPORATE SOCIAL RESPONSIBILITY

Gorenje has a tradition lasting several decades in the area of socially responsible conduct. Initially, its activities were focused on employees and the local environment. Over the years, these were expanded to include other stakeholders. Today, the philosophy of socially responsible conduct is an inseparable part of Gorenje's successful business operation.

By means of a selective choice of donations and sponsorships, the Company organised in 2009 several events of significance for employees and the broader environment in the fields of culture, sports, education and heath care. Compared to previous years, however, their number was reduced and the funds allocated to societies, clubs and institutions with which Gorenje has been closely cooperating for many years. The amount of funds allocated for sponsorships and donations was slightly higher than in 2008 because, as the general sponsor of the Gorenje Velenje Handball Club, the Company wished to provide the best conditions for the team's participation in the European Champions League. Gorenje has for several years also maintained a partnership with the Slovenian Nordic Ski Team, which operates within the Ski Association of Slovenia.

The Company supports the Gorenje Pension Club, which through its activities is improving the quality of leisure time of our former employees.

ENVIRONMENT (ECOLOGY)

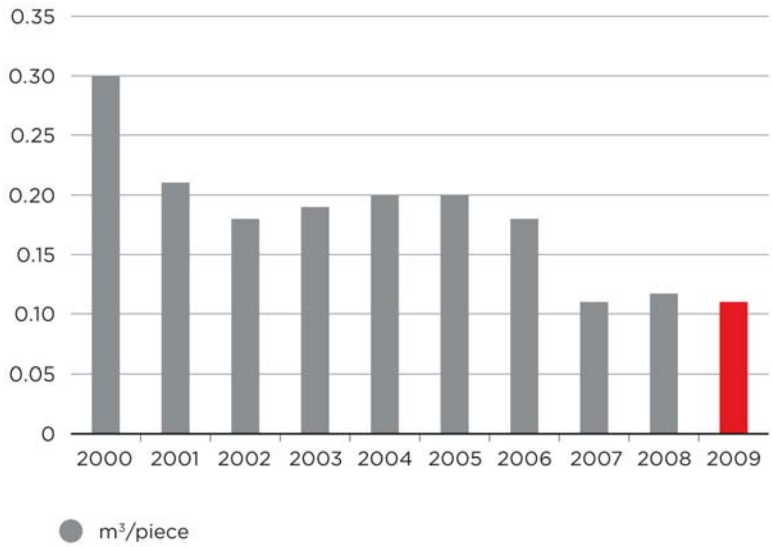
In line with the principles of sustainable development, the Gorenje Group devotes a great deal of attention to environmental protection. By regularly modernising our technological processes and equipment, we are implementing the Group's environmental policy.

The long-term goals of environmental protection of the Gorenje Group (2006-2010) have directed the Company's attention primarily towards reducing quantities of wastes and the consumption of energy products and water, introduced requirements in the area of limiting hazardous substances in products, reducing quantities of waste industrial packaging, and the fulfilment of requirements regarding the decomposition of electrical and electronic equipment.

All environmental aspects of the Company were systematically brought in line with the ISO 14001 standard acquired in 2000, and then upgraded by their entry in the European register EMAS in 2004.

The Gorenje Group meets all the legally prescribed values relating to emissions into the environment, and has obtained all relevant environmental permits. We are systematically introducing both environment-friendly and economically efficient technologies. By introducing changes in technological procedures and implementing cleaner technologies, we are reducing the Company's impacts on the environment. The Company's environmental orientation, which alongside changes in technologies also includes reducing the impacts of end products on the environment, is seen as an important market advantage.

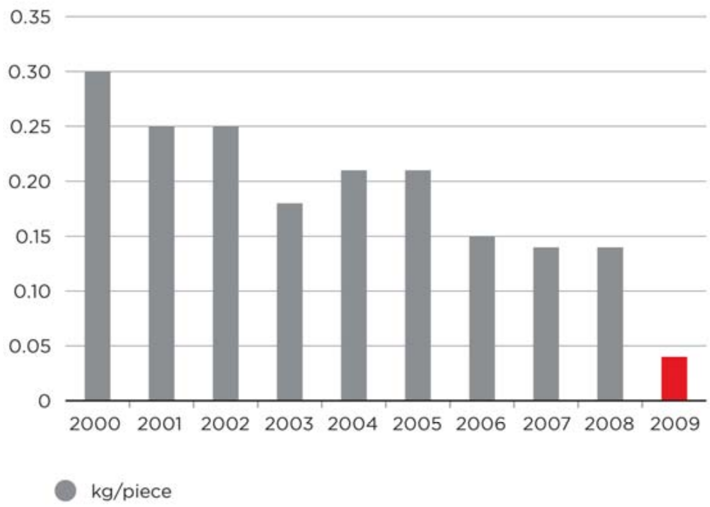
Reduction of water consumption in the Gorenje Group (m3/piece)



Source: Gorenje Group data

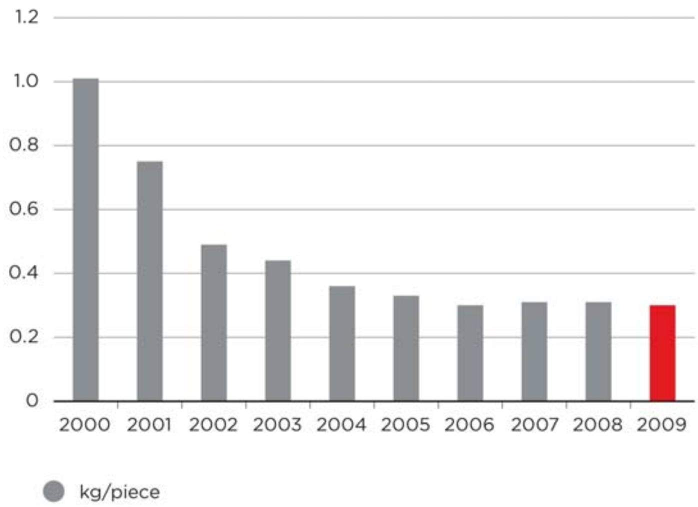
The greatest reduction of water consumption has been achieved in modernised technological procedures for the pre-processing of sheet metal, equipped with an in-built water saving system within the technological lines.

Quantity of hazardous wastes (kg/piece)



Source: Gorenje Group data

Quantity of deposited wastes (kg/piece)



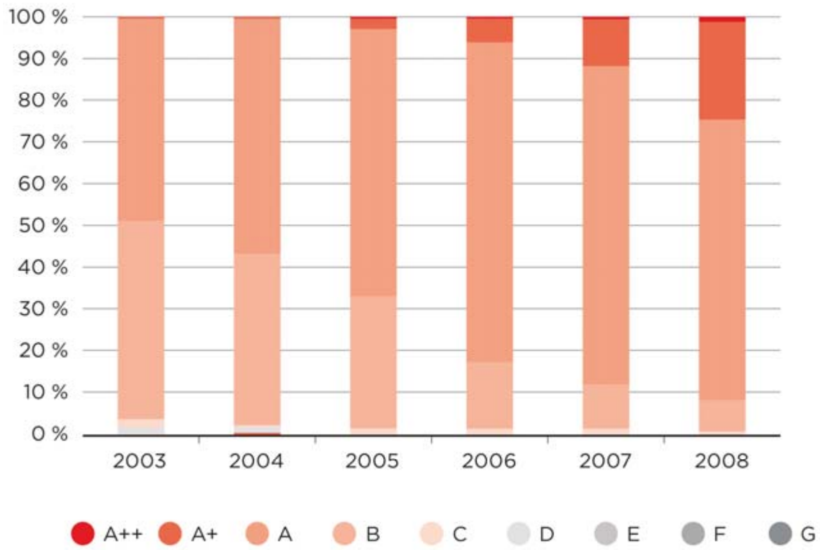
Source: Gorenje Group data

PRODUCT-RELATED RESPONSIBILITY

The concern of the Gorenje Group for the environment does not end when the products leave our factories. Through premeditated development we are making sure these products have a longer service life, are energy efficient, and have a minimal impact on the environment. This is also confirmed by data on the growth of sales of products with A energy efficiency or higher, which in 2008 accounted for an impressive 92 percent of all products sold (only 49 percent in 2003).

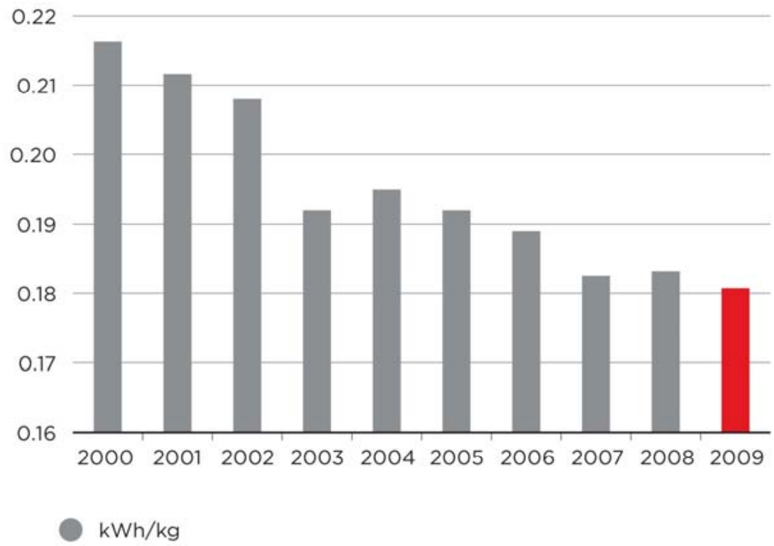
In 2009, Gorenje intensively included new, innovative solutions providing for reduced energy consumption. In the cooling programme, we introduced a wide range of new products of the A++ energy class.

Sales of energy classes for refrigerators and freezers of the Gorenje Group



Source: Gorenje Group data

Energy consumption of Gorenje washers per kilogram of laundry



Source: Gorenje Group data

Corporate Governance report

In the field of corporate governance Gorenje, d.d., and the Gorenje Group have introduced high standards that have been consistently met, implemented and constantly up-graded in compliance with good practices. Transparency has been one of our fundamental values recognised also in the environment. This has been proved also by the award for the best team in the field of relations with investors that we received from the Ljubljana Stock Exchange in the year 2009.

A two-tier management system has been adopted in the company. On its basis the management is responsible for running of the company's operation and the supervisory board for the supervision of operation. The corporate governance code of public limited companies adopted on 8 December 2009 has been followed in the operation of the company; it is accessible on the websites of the Ljubljana Stock Exchange.

SUPERVISORY BOARD

All members of the supervisory board meet the independence criterion as defined in the corporate governance code of public limited companies. In compliance with the code independent members are considered those who act and decide independently in their operation. Competences and obligations of the members of the supervisory board are the same, but four members (Peter Ješovnik, M.Sc., Gregor Sluga, M.Sc., Milan Podpečan and Drago Krenker) are also members of the audit committee. The committee acts within the powers as stipulated in Article 280 of the Companies Act.

As a general rule the supervisory board has been involved in the development of the policy in the field of corporate governance; it operates transparently and efficiently, which has been ensured by the regular press releases of the summaries of its meetings and the decisions taken.

The supervisory board represents interests of the capital and the employees. Its members are:

- representatives of the capital:
  - Jože Zagožen, Ph.D., Chairman
  - Peter Ješovnik, M.Sc.
  - Milan Podpečan
  - Andrej Presečnik
  - Gregor Sluga, M.Sc.
- representatives of the employees:
  - Ivan Atelšek, Vice-Chairman
  - Peter Kobal
  - Drago Krenker
  - Krešimir Martinjak
  - Jurij Slemenik

DR. JOŽE ZAGOŽEN

Chairman of the supervisory board

is a Ph.D. in economics. He started his working career in the Gorenje business system. He was a manager of the sector for organisation and informatics in the then SOZD Gorenje. As Vice-President of the joint company Gorenje he participated in the rehabilitation operating committee of Gorenje. In 1991 he entered the service at the Ministry of Defence of the Republic of Slovenia as a manager of the logistic administration. Later on he worked for Tiskarna ljudske pravice and the company TER. In 1996 he was elected a member of the National Assembly of the Republic of Slovenia where he was also Chairman of the Committee on the Economy. In the year 2000 he was the Minister of Economy in the government of the Republic of Slovenia. He was Councillor in the Municipality of Ljubljana in the term of office 1994-1998 and Chairman of the Committee for town planning, and Councillor also in the term of office 2002-2006.

PETER JEŠOVNIK, M. SC.

Member of the Supervisory Board

In 1995 he graduated in international relations from the Faculty of Social Sciences of the University in Ljubljana and completed his M.Sc. thesis on international economy in the Faculty of Economic in Ljubljana. He has worked for the Office of the Government of the Republic of Slovenia for Development and European Affairs. From 1997 to 2001 he worked as an assistant and senior lecturer for marketing and macroeconomic environment at the Faculty of Management in Koper. In 2001 he started working for the Chamber of Commerce of Slovenia where he managed the department for European affairs. He was also an active member of the national Forum within the Convention for the EU legislation. In 2004 the European Commission appointed him a member of the Europe Team. In 2005 he was a deputy director of the Office of the Government of the Republic of Slovenia for European Affairs and May 2007 he was appointed a manager of the Public Agency for Entrepreneurship and Foreign Investments (JAPTI). He carried out this function to the beginning of the year 2009. Until 30 June 2009 he was also Vice-Chairman of the supervisory board of NLB. In addition to this he was also a member of the supervisory board of the Centre for European Perspective, a monitoring committee for Schengen Facility and a supervisory board of Cohesion Fund.

MILAN PODPEČAN

Member of the Supervisory Board

He is a university graduate in economics. From 1962 to 1975 he worked for Metalka in Ljubljana, he specialised in the field of commerce, finance and foreign trade. From 1975 to 1986 he managed the trading - production company of Gorenje in Vienna and in 1982 he was also a member of the rehabilitation management committee of Gorenje being in charge of the foreign trade network. From 1986 to 1994 he managed an investment company of Gorenje - namely Gorenje Beteiligungsgesellschaft in Vienna. In the years 1994 and 1995 he ran an investment company of Metalka, also in Vienna. He has considerable experience in the field of marketing, finance and corporate governance since he was also a member of some of the supervisory boards and chairman of the management committee of Slovenska odškodninska družba.

ANDREJ PRESEČNIK

Member of the Supervisory Board

He is a university graduate in agriculture. Since 2004 he has worked for one of the largest agricultural cooperatives in Slovenia: Zgornjesavinjska kmetijska zadruga Mozirje. He has worked for the cooperative since the year 1981. Before taking up the office of the manager he carried out duties and functions ranging from the head of a consulting department to the head of a commercial department. In the years 1990-1992 he was chairman of the Assembly of the Municipality of Mozirje, in the years 1994-2002 he was an active member of the municipal council of the Municipality Mozirje. In the years 1998-2003 he was a member of the council of RTV Slovenije. He performed functions in various bodies of the cooperative association of Slovenia. He is a member of the management committee of Kapitalska zadruga that is the majority owner of Deželna banka Slovenije and a member of the supervisory board of Ljubljanske mlekarne.

GREGOR SLUGA M. SC.

Member of the Supervisory Board

Since 2003 he has worked as an adviser to the director of KD Group. He graduated from the Faculty of Economics in Ljubljana and in 2000 he completed his M.Sc. thesis on management and organisation (in the field of finance) also at the Faculty of Economics in Ljubljana. After a period of traineeship he entered the service at the Ministry of Finance as a secretary of the then Securities and Stock Exchange Commission. When the Securities Market Agency was established in 1994 he became a head of the licensing department. He had various duties in the Agency until 2003, since 1999 he was an assistant to the director and a head of the securities market sector. Since 2003 he has been an adviser to the director in KD Group. He was a member of several supervisory boards, also in companies abroad.

IVAN ATELŠEK

Vice-Chairman of the Supervisory Board

He was a director of Gorenje from 1953 when he took over the management of the metal-working company in the village of Gorenje. He carried out the function to the year 1980. Under his authority the company initially assembled crushers. Later on it started producing solid fuel and electric cookers under the name Tovarna štedilnikov Gorenje. In the year 1960 the development of Gorenje actually started when the company moved to the temporary location in Velenje. In 1964 the company moved to the present location. In that period Gorenje developed quickly and became one of the most successful and largest European producers of household appliances, white goods, sanitary equipment, TV-sets, and other household equipment. He was Vice-President of Ljubljanska banka from 1980 to 1982 when he was elected Chairman of the management committee of the energy engineering community of Slovenia. He retired in 1985. Until now he has remained in contact with the economy and Gorenje. He has shared his considerable knowledge and experience with other economists. He received an award of the Chamber of Commerce of Slovenia for notable economic achievements and the highest state decorations. He was also a member of the first parliament of the Republic of Slovenia. In 1998 he was elected in the supervisory board of the company for the first time.

PETER KOBAL

Member of the Supervisory Board

He is an assistant to the director of maintenance in Gorenje. He is an electrical engineering technician. He has worked for Gorenje since 1971 and carried out various duties and obligations relating to the maintenance, from a maintainer to the assistant to the director. In the year 1997 he was elected chairman of the Works Council of Gorenje for the first time. He has carried this function for the fourth term of office. He was appointed a member of the supervisory board of Gorenje for the first time in the year 1998. He has been successful in his field and in the co-management of workers.

KREŠIMIR MARTINJAK

Member of the Supervisory Board

He is a university graduate in laws and has worked for Gorenje since 1986. He carried out various duties, tasks and obligations in the field of labour, obligational and status or corporate law within the legal department of the company for sixteen years. In the year 2002 he was elected in the supervisory board of Gorenje for the first time. From 2002 to 2008 he was chairman of the SKEI Trade Union of Gorenje and then he again started working in the legal office of Gorenje.

JURIJ SLEMENIK

Member of the Supervisory Board

He has been the head of production in the programme of washing machines and tumble driers. He is a mechanical technician by profession. He has worked for Gorenje since 1978, all these years he worked on various working places in the washing machine programme. He has been a member of the Works Council since 2002. In this year, he was elected in the supervisory board of Gorenje for the first time.

DRAGO KRENKER

Member of the Supervisory Board

He has worked as an assistant to the director of the programme of cooling and freezing appliances. He is a tradesman by profession. He started his career in the field of electronics in the year 1974. He worked 14 years in the factory of household appliances and the company Procesna oprema within the Gorenje system and two years for Iskra Delta, especially in the field of medical electronic engineering. In the year 1989 he started working on the programme of cooling - freezing appliances where he was a manager of the plant, a head of production preparation, a head of production and a head of general affairs department. He was elected a member of the supervisory board of Gorenje for the first time in 1998, and he has carried out the function in the Works Council for the fourth term of office. He was also chairman of the Works Council for one term of office. He has been chairman of a safe and health work board already for the second term of office.

AUDIT COMMISSION

The audit committee has worked under the authority laid down by Article 280 of the Companies' Act.

It consists of the following members of the supervisory board:

Milan Podpečan, Chairman
Gregor Sluga, M.Sc., Member
PeterJešovnik, M.Sc., Member
Drago Krenker, Member

The external member of the audit committee is Mateja Vrankar, working for BDO Revizija.

MANAGEMENT BOARD

A two-tier management system has been implemented in Gorenje. On its basis the management board of the company has been in charge of the running of operation.

Members of the management board are:

- Franjo Bobinac, Chairman of the management board who is simultaneously responsible for the Ecology, Energy and Services Division,
- Mirjana Dimc Perko, member of the management board, responsible for the field of finance and economics,
- Drago Bahun, member of the management board, responsible for the field of organisation and human resources and work director,
- Branko Apat, member of the management board, responsible for the Household Appliances Division,
- Franc Košec, member of the management board, co-responsible for the Household Appliances Division and for the field of the industrial machinery and tool making,
- Uroš Marolt, member of the management board, responsible for Home Interior Division

FRANJO BOBINAC

President of the Management board who is simultaneously responsible for the Ecology, Energy and Services Division,

He graduated in international economic relations from the Faculty of Economics of the University in Ljubljana in 1982. In 1997 he finished MBA at Ecole Superieure de Commerce in Paris. He has a fluent command of French, English and German. He started his career in Emo Celje. And after three years, viz. on 1 September 1986 he started working for Gorenje Commerce as an assistant to the director of export. Four years later he was appointed a director of export in Gorenje Household Appliances and in the year 1991 a director of marketing in Gorenje - Household Appliances. From May 1993 to March 1998 he was the general director of Gorenje Sidex France, a branch office of Gorenje in Paris. From March 1998 he was a member of the management board of Gorenje in charge of sales and marketing. Due to his excellent organisational and management abilities he introduced quality changes in the organisation and contents of work in the field of marketing in a short period of time and as the first salesman enormously contributed to the exceptional growth of Gorenje. In spring 2003 the supervisory board trusted him the mandate to constitute a new management board that started working on 18 July 2003 and in the year 2008 this board started a new term of office.

MIRJANA DIMC PERKO

member of the management board, responsible for finance and economics

In 2001 she successfully completed MBA at the IEDC Poslovna šola Bled. In 1990 she graduated in economics from the Faculty of Economics & Business Administration in Maribor, with the focus on banking and finance. In the year 1992 she obtained a licence of a business valuer from the Slovene Institute of Auditors. She has a fluent command of English and fairly good command of German. From 1992 to 1995 she was a partner and director of the private company Inconsult, d.o.o., specialised in business valuation and investment consulting. In the period 1995 - 2005 she worked for Triglav - management company as a head of projects and analyses, and from 1999 she was Vice-President of the management board and a director of the fund Triglav Steber I. In this period she gained relevant experience in company management, restructuring, sale of companies to strategic partners and valuations, appraisals and purchase of future fast-growing companies, increase in capital, mergers, acquisitions, etc. and is an expert in the field of corporate and global finance. Since 2006 she has been a member of the management board of Gorenje in charge of finance and economics.

DRAGO BAHUN

member of the management board, responsible for organisation, personnel and work director

In 1979 he finished the studies of sociology - focused on human resources training - at the Faculty of Sociology, Political Sciences and Journalism in Ljubljana. He finished post-graduate studies in staffing at the Faculty of Social Sciences in Ljubljana. He has a fluent command of English and a fairly good command of German and French. In January 1979 he started working for the Mining and Energy Engineering State Combine in Velenje. He was the head of the department for business system organisation to the end of the year 1984. At the beginning of rehabilitation of Gorenje he as the young expert in the field of staffing was invited to join the management board of the Gorenje business system. He has worked for Gorenje since the beginning of the year 1985 in the following positions: from 1985 to 1987 as vice-chairman of the management committee of the composite organisation for the field of socio-economic relations, between 1987 and 1990 as a member of the management committee of Gorenje Household Appliances for staffing, between 1990 and 1997 as a director of personnel and general sector. He was a member of the temporary management board after the restructuring of the company in a public limited company in the year 1997, a member of the management board in the term of office 1998-2003 in charge of personnel and simultaneously a work director. Since 2003 he has been a member of the management board in charge of organisation and personnel and carried out the function of a work director.

BRANKO APAT

member of the management board, responsible for the Home Appliances Division

He graduated in foreign trade from the Faculty of Economics in Maribor in 1984. He finished specialist studies of the Chamber of Commerce and Marketing in the USA in 1988. He has a fluent command of English and German. He started worked as a trainee in Gorenje Commerce and later on took over the work of a clerk in commerce for the so-called green programme. He continued his career as the head of export for the Near East markets. In 1988 he became a deputy-director of export for programmes beyond white goods and was also responsible for South America. After the restructuring of Gorenje in 1990 he carried out the function of a director of purchasing in Gorenje Household Appliances and in April 1993 he was appointed a Marketing Director. In September 1999 he took over the rehabilitation of the company Gorenje Tiki and was a director of the company to the end of the year 2009. In 2003 the management board appointed him an executive director whose task was harmonisation of work of companies within the Gorenje Group from the fields of thermal technique, tool making, and industrial machinery and since 2006 also of the component purchasing programme of Gorenje. In September 2007 he was appointed the member of the management board of the company for the first time and to March 2009 he was responsible for the programme of complementary programmes, purchasing and logistics.

FRANC KOŠEC

member of the management board, so-responsible for the Home Appliances Division and the field of industrial machinery and tool making

He is an electrical engineering technician and started working for Gorenje in 1971. His almost 40-year career in Gorenje has been related to the production - technical field. In Gorenje he worked as a technician in charge of technical changes, a head of department of technical changes, a head of department of product control, a head of the washing technique programme to a director of this programme. From 1997 to 2003 he was an executive director of the management board for the production - technical field. He was a person in charge and a driving force of numerous projects in Gorenje. He is well-deserved for the emergence of household appliances of new generations, for the introduction of electronics into Gorenje products and approximation of their functions to the expectations of customers. He played an important role in the development of design of household appliances whose achievements rank Gorenje to the fore when compared to the competition. His function was of vital importance when managing the largest investments of Gorenje, such as the first factory of cooling - freezing appliances in Velenje, galvanisation, plastics plant, Syrofoam factory, the NAVIS high-bay warehouse and construction of the factory in Valjevo in the Republic of Serbia. He was appointed a member of the management board for the first time in 2003 and to March 2009 he was in charge of quality and development.

UROŠ MAROLT

member of the management board, responsible for the Home Interior Division

In 1997 he graduated in marketing from the Faculty of Economics in Ljubljana. He has finished the M.Sc. programme at the Faculty of Economics & Business Administration in Maribor. He has an excellent command of English, German and Polish. In the years 1996 and 1997 he worked for MGA Nazarje as a senior controller in the controlling of MGA Nazarje (BSH Nazarje), and started working for Gorenje, d.d. in 1998. To the year 2001 he was a salesman for the Russian market and then he managed the commercial department within the sales company in Poland - Gorenje Polska Sp., and became a director of the company in 2002. In September 2005 he became a director of the sales company Gorenje Austria Handels GmbH. In September 2007 he was appointed a member of the management board of the company for the first time and to March 2009 he was responsible for marketing and sales.

GENERAL MEETING OF SHAREHOLDERS

The general meeting of shareholders decides on all legally defined questions and especially on the use of accumulated profit and amendments to the in the Articles of Association. It takes decisions in ordinary meetings that take place once a year. Shareholders may participate in a general meeting directly or through their proxies who collect power to decide in compliance with the legislation. This enables expression of will also to those who cannot be present in the meeting (minor and foreign investors, etc.). Such form represents an initiative to shareholders to exercise their voting rights and simultaneously it provides for much better informing about the convention of the shareholders' meeting and contents of the decisions proposed.

In 2009 the annual report for the year 2008, the report of the supervisory board on the results of review of the annual report and the report of the management board on the disposal of own shares were presented in the ordinary general meeting. The general meeting decided on the use of accumulated profit for the year 2008 and awarded the discharge to the management and the supervisory boards. It decided on higher meeting attendance fees for the chairman and members of the supervisory board in the period 18 June 2009 to 31 December 2010; the same applies to correspondence meetings and meetings of the supervisory board committees. Due to the amendments to the Regulation on classification of economic activities the general meeting authorised the supervisory board to reclassify the existing activities in the Articles of Association and harmonise them with the new ones stated in the regulation mentioned. Then it adopted the clean copy of the Articles of Association including the reclassified activities. The general meeting appointed also an auditor for the year 2009.

All shareholders have same rights when voting since all shares of the company represent one share class. The only exception is own shares that have no voting rights.

BEST PRACTICES

The Gorenje Group pursues the highest European standards and uses the best practices of corporate management. An example of such management is informing of the public on the web portal of the Ljubljana Stock Exchange (SEONET) about the transactions of the company Ingor, d.o.o., & co., k.d. We are not legally obliged to report about the transactions mentioned, but we have decided to improve transparency, to avoid any possible doubts relating to the transactions of the company mentioned and thus to report on them on a regular basis.

In the past the Gorenje Group was one of the rare Slovene companies that published special announcements for investors or the so-called »profit warnings«. These profit warnings informed about the worsening of the business environment that would most probably reflect in our results. The information basis of potential investors improved in this way when making decisions on investments and contributed to the efficient formation of a share price.

INCENTIVES PAID TO THE MANAGEMENT AND SUPERVISORY BOARD

The emoluments to the Supervisory and the Management Boards are available in accounting report. The company did not adopt any share option programme.

TRADING WITH SHARES OF THE MANAGEMENT AND SUPERVISORY BOARD

Ownership of shares: management and supervisory boards

	31 Dec. 2009			31 Dec. 2009	
	No. of shares	**Ownership share**		**No. of shares**	**Ownership share**
Total supervisory board	**14,146**	**0.1008 %**	**Total management board**	**13,230**	**0.0943 %**
Ivan Atelšek	9,497	0.0677 %	Franjo Bobinac	2,096	0.0149 %
Peter Kobal	1,355	0.0097 %	Drago Bahun	9,032	0.0644 %
Drago Krenker	920	0.0066 %	Franc Košec	1,380	0.0098 %
Krešimir Martinjak	115	0.0008 %	Mirjana Dimc Perko	96	0.0007 %
Jurij Slemenik	1,738	0.0124 %	Branko Apat	626	0.0045 %
Jože Zagožen	466	0.0033 %			
Gregor Sluga	55	0.0004 %			

Source: Data of the Gorenje Group

Source: Data of the Gorenje Group Additional note: as at 31 December 2009 the company Ingor, d.o.o. & co. k.d. owned 794,473 shares which accounted for a 5.6627 % ownership share in Gorenje. Limited partners in the company who have invested their own resources in the equity represent the narrow and wider management, some members of the supervisory board and the SKEI trade union, but the company is managed by the general partner, i.e. the company Ingor, d.o.o. This company is not privileged in comparison with the other stakeholders. All internal owners who have or could have access to internal information have to consistently follow the so-called trading windows and can trade in the Gorenje shares only when their information basis is equal to the basis of other investors. We, at Gorenje greatly respect the principle of equal treatment of all stakeholders.

RISK MANAGEMENT

In the Gorenje Group an independent function of internal audit has been established. It is carried out within the controlling company and at the level of the complete Group. The persons in charge of the internal audit are directly responsible to the company management. The basic task of the internal audit is continued development and verification of functioning of the internal audit system from the aspect of control of all kinds of risks the Gorenje Group is exposed to. The internal audit currently conducts examination of all key business processes in the Gorenje Group and its objective is assurance of harmonisation of operation in compliance with regulations, accounting policies and reduction in all kinds of risks. In the year 2007 an external audit of the internal audit quality was carried out and harmonisation of its operation with the international standards of the discipline was established.

A risk management council functions within the Gorenje Group; its tasks are identification and evaluation of risks the Gorenje Group is exposed to as well as planning of measures for their reduction or elimination.

EXTERNAL AUDIT

The audit of financial statements of the controlling company and the majority of controlled companies has been conducted by the KPMG audit company. The company follows the recommendations of the corporate governance code of public limited companies relating to the change of external auditor every three years.

The external auditor reports on the findings to the management and supervisory boards and the audit committee of the supervisory board.

Operations of the parent company and the Gorenje Group with the company KPMG and operations of associated companies with individual audit companies are described in the note to the financial statements operations with the audit company.

COMMUNICATION POLICY

Corporate communications create a clearly recognised image of the Gorenje Group. This includes external (by external achievements) and internal communications (employees). The Gorenje Group has prepared Rules on internal information and Rules on protection of business secrets that have been consistently observed. We provide for a clearly defined flow, recorded and controlled access to internal information. As a company from the first stock-exchange listing of the Ljubljana Stock Exchange we maintain the highest standards of publishing business reports, defined in the Financial Instruments Market Act and rules and instructions of the Ljubljana Stock Exchange. A financial calendar including major publication release schedule is published every year on the web sites.

The company provides for equal informing of shareholders and the interested public by publications in the electronic form on the web portal SEONET in compliance with the rules and instructions of the Ljubljana Stock Exchange and on web sites of the company www.gorenje.com in the Slovene and English languages. The company ensures publications of some controlled information (i.e. convention of the general meeting) in compliance with the Articles of Association of the company in the daily newspaper Delo, whose circulation covers the complete area of the Republic of Slovenia when an act or any other regulation does not explicitly require any other communication. There were 34 publications on the Seonet web portal in the Slovene and English languages in the year 2009. This includes periodic as well as ad hoc publications. They were all published in the part of the day when there was no trading on the Ljubljana Stock Exchange and the time difference between the publications in both languages was minimal - in most cases less than a minute.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management Board of the Company is responsible for the preparation of the annual report of Gorenje, d.d. and the Gorenje Group, as well as the financial statements, in a manner providing the public with a fair presentation of the financial position and the results of operations of Gorenje, d.d. and its subsidiaries in 2009.

The Management confirms that the accepted accounting policies have been used in the compilation of financial statements of Gorenje, d.d. and the Gorenje Group, that the accounting estimates have been made in compliance with the principles of prudence and good management, and that the financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the results of its operations in 2009.

The Management Board is also responsible for adequate and orderly accounting and the adoption of appropriate measures for safeguarding the Company's property and other assets, and confirms that the financial statements of Gorenje, d.d. and the Gorenje Group and accompanying notes have been prepared under the assumption of going concern and in compliance with applicable legislation and the International Financial Reporting Standards as adopted by the European Union.

The Management Board confirms that to the best of its knowledge the financial report has been prepared in compliance with the accounting reporting framework and that is gives a true and fair view of assets and liabilities, the financial position and profit or loss of the parent company and other companies included in the consolidation of the Gorenje Group. The Management Board also confirms that a fair presentation of information about relevant transactions with affiliated persons has been included in the business report; it has been prepared in compliance with the applicable legislation and the International Financial Reporting Standards.

The President and members of the Management Board of Gorenje, d.d. are familiar with the contents of integral parts of the annual report of Gorenje, d.d. and the Gorenje Group for 2009, and thus also with the entire annual report. We agree with the annual report and hereby confirm this with our signatures.

- Franc Bobinac, predsednik uprave
- Mirjana Dimc Perko, članica uprave
- Branko Apat, član uprave
- Drago Bahun, član uprave
- Uroš Marolt, član uprave
- Franc Košec, član uprave

CODE OBSERVANCE

The contents of the statement refer to the period from the adoption of the previous statement on the following of the Code of public limited companies, i.e. from 23 April 2009 until 16 April 2010 when its contents were jointly formulated and adopted by the Management and Supervisory Boards of Gorenje, d.d.

The Management and Supervisory Boards state that the Gorenje Group follows the Code of public limited companies in its work and operation that was adopted by the Ljubljana Stock Exchange, Organisation of Commission and the Manager Association on 8 December 2009 and is accessible on the web sites of the Ljubljana Stock Exchange, including individual deviations that are disclosed and explained in further sections.

Chapter: Company management framework

Recommendation under 1:

The key goals of the company are not specifically defined in the Articles of Association, but are included and clearly defined in the mission: "»To create original, technically perfected, superiorly designed, as well as user- and environment-friendly products for the home. We are focused on improving the satisfaction of customers while creating value for our owners, employees and other stakeholders of the Gorenje Group in a socially responsible manner.«.

Chapter: Relationship between the Company and the shareholders

Recommendation under 5.7:

In connection with the policy of determining the remunerations, compensations and other benefits of the members of the Management Board, the Supervisory Board fully observes the principles and criteria of the Code as well as the present conditions in the market. The Supervisory Board assesses the performance of the Management Board as a whole on the basis of the Criteria for Determination of Corporate Performance of the Gorenje Group, which were adopted for this purpose by the Supervisory Board of the Company and have so far proved to be appropriate in practice.

Recommendation under 5.8:

In accordance with the present practice the general meeting of shareholders decided on simultaneous granting of a discharge to the management and supervisory boards. This has proved to be appropriate and in compliance with the method of work and high standards of co-operation of both bodies.

Chapter: Supervisory board

Recommendation under 8.4:

In the Gorenje Group we take special care of protecting business secrets. Documents intended for the members of the supervisory board, are discussed with absolute confidentiality and thus the material and conventions are sent in paper form.

Recommendation under 9:

The Supervisory Board evaluates the performance of the Supervisory Board and its committees as a whole and not of its individual members. The Supervisory Board generally meets in its full composition and all of its members regularly participate in discussions and in this way contribute to the integral performance of the Supervisory Board in accordance with their responsibilities, commitment, professional and other experience. The Company has therefore assessed that individual evaluations are not necessary.

Recommendation under 12:

For their work, the members of the Supervisory Board are entitled to meeting attendance fees and the reimbursement of expenses for meeting attendance. Until now, the members of the Supervisory Board have been also entitled to remuneration for their performance in the form of profit sharing, if so decided by the General Meeting of Shareholders. Amendments to the Companies' Act make this impossible (amendment to the Companies Act 1-C Proposed) and each General Meeting shall now take a special decision on the remuneration for the performance of the members of the Supervisory Board, which shall debit the costs of current company's operation.

Recommendation under 13 (13.1-13.6):

The issue of establishing supervisory board committees is laid down in the Rules of Procedure of the Supervisory Board. In line with amended legislation, a five-member audit committee was formed in 2008, of which four members are appointed from among members of the Supervisory Board, and one member is appointed from among external experts in the fields of accounting and auditing. Due to the fact that the term of office of the members of the Supervisory Board expires on 18 July 2010, it has established an appointment committee consisting of five members. It has established no human resources committee since the term of office of the members of the Management Board expires on 26 July 2013.

The Supervisory Board deals with all issues within its competences without forming any special committees, as this has not proved to be necessary in current practice. In the past, the Supervisory Board formed individual working groups without specific competences for the purpose of dealing with certain less relevant issues.

Chapter: Management Board

Recommendation under 16.1:

Remuneration of the members of the Management board usually consists of a fixed and variable part. In November 2009 all members of the Management Board signed annexes to the employment contract on the basis of which their salaries are 25% and the salary of the president of the Management Board is 35 % lower on average. Due to their significant reduction the salaries are laid down in fixed forms in annexes.

Business report

ECONOMIC ENVIRONMENT

Conditions in sales markets

In the majority of European markets the sales trend of household appliances was negative in the first half of the year 2009. Sales dropped most in Great Britain and Spain; the only market where an increase in sales volume was observed, was the Austrian one.

The crisis that affected the East-European markets of household appliances was even more serious. A two-digit relative growth of the sales volume in the previous years turned into a two-digit reduction at the beginning of the year 2009. Countries in the region mentioned are not in the euro-zone and increase in euro affected them even more (especially Russia and Ukraine) resulting in a two-digit inflation rate and the prices of products imported from the euro-zone went up significantly.

In addition to the world financial crisis the markets of the Near East were greatly affected by the low oil prices (when compared to the previous years). Major markets in this region are Iran, Saudi Arabia and United Arab Emirates were a two-digit reduction in the sales volume was suffered. Latin-American markets grew at a rate higher than 5 % in the first half of the year 2009 due to the Brazilian market that grew by 15 % since a tax rate for industrial products decreased.

Conditions in purchasing markets

In purchasing markets the increasing trend of raw material prices started at the beginning of March and lasted to September when record levels were achieved. The main reasons for such development can be in speculative demand along with the first signs of recovering of the global economy and a great quantity of cheap money provided by central banks.

The increased demand from China cannot be neglected where the record import of oil and metals lasting for several months pushed up raw material prices on world stock exchanges. Due to taking of measures for slowing down of growth at the beginning of the year 2010 it is expected that the China pressure on the prices of raw materials will importantly decrease in future.

Some macro-economic ratios for EU countries

	GDP (2009)	UNEMPLOYMENT (2009)	BUDGET DEFICIT (2008)	PUBLIC DEBT (2008)
HIGHLY DEVELOPED EU COUNTRIES				
Germany	-5.0	7.5	0.0	65.9
France	-2.2	10.0	-3.4	67.4
Great Britain	-4.8	7.8	-5.0	52.0
EU countries in difficulties				
Portugal	-2.9	10.4	-2.7	66.3
Italy	-4.7	8.5	-2.7	105.8
Greece	-1.1	9.7	-7.7	99.2
Spain	-3.7	19.5	-4.1	39.7
NEW EUROPE				
Czech Republic	-4.8	8.0	-2.1	30.0
Hungary	-6.5	10.7	-3.8	72.9
Poland	1.2	8.9	-3.6	47.2
Slovenia	-7.4	6.8	-1.8	22.5
EU (27 countries)	-4.1	9.6	-2.3	61.5
Euro-zone (16 countries)	-4.0	10.0	-2.0	69.3

Source: Eurostat; accessible at: http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/

ECONOMIC FORECASTS

Autumn forecasts of the international institutions (European Commission, MDS, Consensus, OECD, World Bank) for the years 2010 and 2011 draw attention to a slow and uncertain recovery. Quickly developing economies would contribute most to the growth in the world economy, but the conditions improve also in the largest - USA one where the increase will amount to 2.2 % and to another 2.0 % in 2011.

In the euro-zone the recession ended earlier than expected, which was a result of the growth in the export demand. The initiatives coming from the public finance sector also had a positive effect. In the year 2010 the euro-zone will be tested in relation to the reduction in the public deficit and fast-growing public debt. They increased substantially due to weakening of economies and consequently because of general government revenue on one hand and increasing unemployment and consequently increasing public finance debt on the other one. This especially applied to the countries whose over-indebtedness seriously endangers the stability of the complete area: Greece, Spain, Portugal, Ireland and Italy.

Foreseen GDP growth by country

	2006	2007	2008	2009	2010	2011
HIGHLY DEVELOPED EU COUNTRIES						
Germany	3.2 %	2.5 %	1.3 %	-5.0 %	1.2 %	1.7 %
France	2.2 %	2.3 %	0.4 %	-2.2 %	1.2 %	1.5 %
Great Britain	2.9 %	2.6 %	0.5 %	-4.8 %	0.9 %	1.9 %
EU countries in difficulties						
Portugal	1.4 %	1.9 %	0.0 %	-2.9 %	0.3 %	1.0 %
Italy	2.0 %	1.6 %	-1.0 %	-4.7 %	0.7 %	1.4 %
Greece	4.5 %	4.5 %	2.0 %	-1.1 %	-0.3 %	0.7 %
Spain	4.0 %	3.6 %	0.9 %	-3.7 %	-0.8 %	1.0 %
New EU countries						
Czech Republic	6.8 %	6.1 %	2.5 %	-4.8 %	0.8 %	2.3 %
Hungary	4.0 %	1.0 %	0.6 %	-6.5 %	-0.5 %	3.1 %
Poland	6.2 %	6.8 %	5.0 %	1.2 %	1.8 %	3.2 %
Slovenia	5.8 %	6.8 %	3.5 %	-7.4 %	1.3 %	2.0 %
EU (27 countries)	3.2 %	2.9 %	0.8 %	-4.1 %	0.7 %	1.6 %
Euro-zone (16 countries)	3.0 %	2.8 %	0.6 %	-4.0 %	0.7 %	1.5 %
SOME OTHER COUNTRIES						
USA	2.7 %	2.1 %	0.4 %	-2.4 %	2.2 %	2.0 %
Japan	2.0 %	2.4 %	-1.2 %	-5.9 %	1.1 %	0.4 %

Source: Eurostat; accessible at http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/

SALES AND MARKET POSITION

All three divisions of the Gorenje Group are engaged in the sale of durables goods that were more affected during the crisis than consumer goods. Some markets were severely and the others were hardly affected. For example: in Austria the sales of household appliances increased in the year 2009, but in Romania it decreased by 44 %. Our total sales dropped by 11.0 % in our most important markets (East and West Europe). The sales in our three largest markets (Germany, Czech Republic and Russia) fell by 10.9 %.

SALE IN TERMS OF DIVISIONS

The Home Interior Division suffered the sharpest fall since its sales revenue dropped by 31 %. Since the division mentioned achieves only 3.4 % in the revenue structure of the Gorenje Group, the dramatic fall did not have a significant impact on the operation of the complete Group.

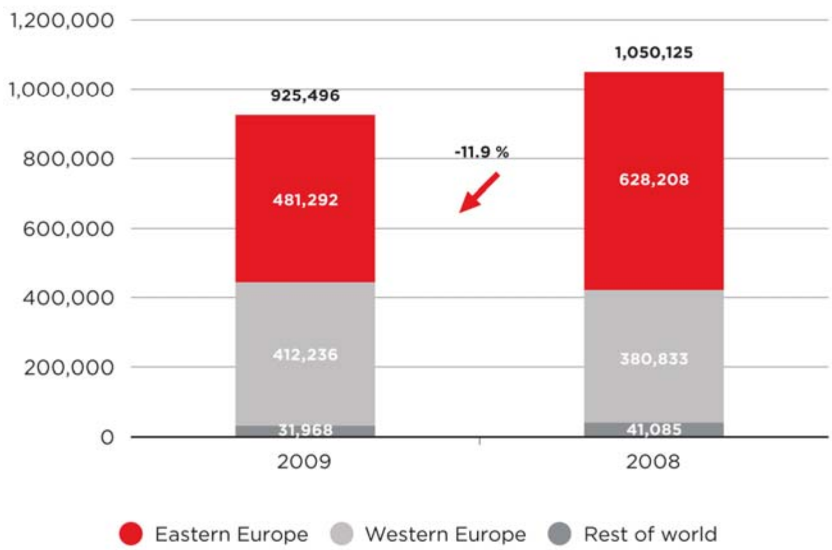
The revenue of our most important division - Household Appliances fell by 12 %. If the company Atag had not joined the Group in the mid 2008, the fall would have been even greater and amounted to 19 %.

The only division whose revenue of the year 2009 remained at the level of the year 2008, was the Ecology, Energy and Services Division whose sales revenue dropped only by 0.8 %.

HOME APPLIANCES DIVISION

In the year 2009 the Household Appliances Division sold 3,350,114 appliances of our own production and generated revenue amounting to 785.25 million EUR. In our industry the impact of the crisis showed already at the end of the year 2008, when the orders dropped suddenly and dramatically as a consequence of increased inventories of traders due to a slower sale of products.

Structure of quantity sale of the Household Appliances Division by



Source: Data of the Gorenje Group

In compliance of the CECED data the crisis caused an 11 % decrease in the market of household appliances. The Gorenje Group successfully withstood the negative impact of the crisis since the decrease in sales was less dramatic than that of other participants in the market.

Changes in quantity sale of household appliances in the year 2009

	Industry	Gorenje Group**	Change in a market share of the Gorenje Group*
WEST EUROPE			
Austria	10.1 %	15.3 %	0.37
Belgium	-1.4 %	0.5 %	0.02
France	-5.5 %	-35.3 %	-0.56
Germany	0.0 %	12.8 %	0.48
Italy	-4.2 %	21.3 %	0.05
Scand. countries	-8.7 %	-3.1 %	0.28
Great Britain	-16.6 %	15.8 %	0.23
EAST EUROPE			
Bulgaria	-30.0 %	-39.8 %	-2.29
Croatia	-22.2 %	-22.8 %	-0.36
Czech Republic	-12.3 %	-2.2 %	2.36
Hungary	-21.9 %	0.2 %	3.01
Poland	-9.1 %	-1.1 %	0.38
Romania	-44.5 %	-59.7 %	-2.08
Russia	-31.2 %	-33.0 %	-0.17
Slovakia	-25.4 %	-33.3 %	-2.70
Slovenia	-9.3 %	-11.6 %	-1.25
Ukraine	-40.7 %	-35.1 %	1.43
TOTAL W-EUROPE	**-5.7 %**	**1.4 %**	**0.16**
TOTAL E-EUROPE	**-25.5 %**	**-22.9 %**	**0.39**

Source: CECED; accessible at http://www.ceced.org/
*Note: Change in percentage points.
**Note: The sales of the Household Appliances Division excluding Atag were taken into account in the Gorenje Group.

Western-European markets

The first half of 2009 was marked by a sharp decline in sales of products for the home in the majority of our key markets. Although the situation gradually improved in the second half of the year, the number of appliances sold in Western European markets in 2009 nevertheless dropped 5.7 percent. Despite the unfavourable movements, we sold 1.4 percent more appliances than in 2008 and increased our market share to 2.38 percent.

The most important Western-European markets of the Household Appliances Division are: German, Austrian, Scandinavian and French markets.

In Germany the sale increased by 12.8 % along with the general stagnation of the market, so that our market share increased by a half of a percentage point, i.e. to 4.3 %. The most important event for the Gorenje Group in the market mentioned occurred on 9 June 2009 when our longstanding partner declared bankruptcy and we lost that specialist in catalogue sale of our products. Sales were therefore redirected and strengthened through other distribution channels.

In 2009 the Austrian market resisted the crisis well and grew by 10.1 %. The Gorenje Group increased the sales by 15.3 % and our market share increased to 8.2 % (by 0.4 %).

A sharper fall in the market was suffered in France. Our sales dropped by 35.3 %, partly because of the impact of the financial crisis and partly because of the decision to eliminate those appliances from the sales range that do not cover their production costs. We focused on the sale of appliances of a higher price bracket and a built-in segment on the French market.

Sales of household appliances in Western-European markets (in pieces)

	Industry		Gorenje Group		Market share of the Gorenje Group	
	2009	2008	2009	2008	2009	2008
Austria	1,273,496	1,156,845	104,350	90,515	8.19 %	7.82 %
Belgium	1,555,782	1,577,151	18,211	18,123	1.17 %	1.15 %
France	9,357,868	9,904,131	113,210	175,045	1.21 %	1.77 %
Germany	11,672,189	11,675,550	501,250	444,326	4.29 %	3.81 %
Italy	6,996,008	7,302,152	15,192	12,520	0.22 %	0.17 %
Scand. countries	3,739,278	4,094,895	181,417	187,284	4.85 %	4.57 %
Great Britain	6,941,796	8,319,464	56,981	49,223	0.82 %	0.59 %
TOTAL	**41,536,417**	**44,030,188**	**990,611**	**977,036**	**2.38 %**	**2.22 %**

Source: CECED; accessible at http://www.ceced.org/

Eastern-European markets

The crisis gravely hit some of our key markets in Eastern Europe, where the number of sold appliances decreased by 25 percent. The highest loss (44 percent) was registered in the Romanian market. The demand shifted greatly to products of the low and middle price brackets. A dramatic decrease was observed in the cooking appliances programme that accounts for 70 % in the structure of the Division sales in Russia.

Alongside the consequences of the financial and economic crisis, which were felt in Slovenia, the crisis also led to a devaluation of local currencies, which in turn raised the prices of products imported from the euro area. Two major consequences were high inflation and a fall in the purchasing power of the population. Countries experienced budget difficulties, which led to the devaluation of local currencies in Eastern European countries. This raised the prices of our products in these markets, and consequently decreased sales.

The situation in the markets mentioned was marked by very poor liquidity and financial solvency. Two of our major customers stopped operating in Croatia. In Romania banks practically stopped financing private consumption which resulted in a dramatic decrease in the market (44 %).

After a sharp fall at the beginning of the year 2009 some markets recovered quickly. In the last quarter of 2009 the growth in Ukraine achieved 44 % when compared to the same period of the year 2008.

The Gorenje Group was unable to fully avoid the decline in sales in Eastern European markets, but managed to limit its effects and even increase the Group's market share in these markets in 2009.

Sales of household appliances in Eastern-European markets (in pieces)

	Industry		Gorenje Group		Market share of the Gorenje Group	
	2009	2008	2009	2008	2009	2008
Bulgaria	333,626	476,788	47,082	78,209	14.11 %	16.40 %
Croatia	356,513	457,992	155,252	201,123	43.55 %	43.91 %
Czech Republic	1,235,324	1,408,383	282,080	288,300	22.83 %	20.47 %
Hungary	725,863	929,762	99,115	98,903	13.65 %	10.64 %
Poland	2,971,135	3,267,199	141,160	142,707	4.75 %	4.37 %
Romania	640,081	1,152,684	35,437	87,889	5.54 %	7.62 %
Russia	4,231,049	6,149,790	271,477	405,274	6.42 %	6.59 %
Slovakia	408,980	548,272	93,211	139,745	22.79 %	25.49 %
Slovenia	254,756	281,000	121,780	137,825	47.80 %	49.05 %
Ukraine	881,678	1,486,397	146,639	225,994	16.63 %	15.20 %
TOTAL	**12,039,005**	**16,158,267**	**1,393,233**	**1,805,969**	**11.57 %**	**11.18 %**

Source: CECED; accessible at http://www.ceced.org/

Rest of the World

The third group of markets of the Gorenje Group represents the rest of the world, and includes the markets of the Near and Far East, as well as all other continents. Entry into these markets is more difficult due to the specific legislation of the area and the need for adapting appliances.

Owing to their large size and distant location, different sales approaches are employed in these markets. In 2009, we expanded our business activities in the Near East (United Arab Emirates, Oman and Qatar). Activities are also under way in Iran, where contacts were established with two distributors.

The area of the Far East comprises the markets of China, Hong Kong, Taiwan, and Thailand. Sales on these markets are being initiated through our representative office in China. The first orders were received in 2009, but real growth is expected in 2010, when the Company will give several presentations of its products in the area.

Sales activities in overseas markets are being renewed. In 2009, the Company ceased to cooperate with a long-time distributor of our products in Australia. We have, however, already established contacts with new potential partners, who will enable the sale of our products in leading Australian retail chains. A new distributor has also been acquired in New Zealand.

HOME INTERIOR DIVISION

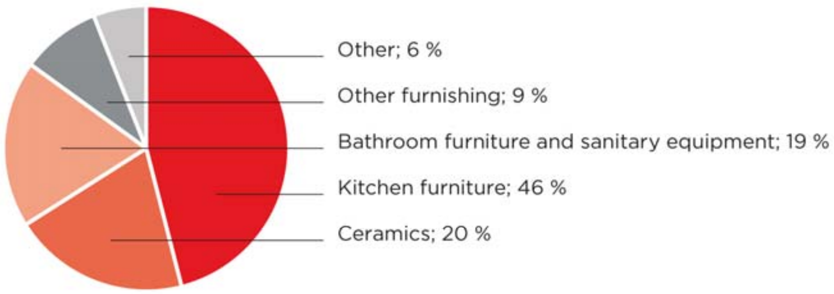
South-Eastern European markets are of essential importance for this Division besides the Slovene market. All together these markets account for two thirds of sales revenue of the Division. In the year 2009 the conditions were serious since the economic crisis hit them harder than some more developed markets. This had a negative impact on our sales revenue that decreased by 31 % in 2009.

Geographical sales structure

	2009	Structure	2008	Structure	Change 09/08
Slovenia	17,138	42.1 %	22,456	38.0 %	76.3
South-Eastern Europe	7,489	18. 4 %	13,236	22.4 %	56.6
EU and other markets	16,093	39.5 %	23,441	39.6 %	68.7
Total	**40,720**	**100.0 %**	**59,133**	**100.0 %**	**68.9**

Source: Data of the Gorenje Group

Structure of sales revenue of the Home Interior Division by product groups



Source: Data of the Gorenje Group

The **kitchen furniture programme** accounts for 46 % in the sales structure of the Division. A decrease in purchasing power of consumers and unavailability of financing of durable goods by banks reflected in a 28 % decrease in sales revenue when compared to the previous year. The fall was sharpest in the South East European markets.

Slowing-down of construction activities in our key markets had a significant impact on the decrease in sales **of the ceramics programme**. Sales revenue of this programme was therefore 19 % lower in 2009 than in the previous year. The decrease was greatest in the sale of ceramics for the interior and the decrease in the sale of decorative ceramics was slightly less dramatic. On the other hand the sale of frost-resistant tiles increased.

Products of the bathroom furniture and sanitary equipment account for 19 % of sales revenue. The sales of this programme started decreasing in the last quarter of the year 2008 and continued in the year 2009. The sharpest fall in the sale of bathroom blocks was observed in the markets of South-East Europe. The drop of sale of bathroom furniture and independent basins was of a single-digit. The sale of basins started to increase in the second half of the year, which is a good forecast for the year 2010.

Other furniture (halls, bedrooms, living rooms, children's rooms) contributed 9 % of total sales revenue. The programme was revamped and its quality improved since it shall move from a lower price bracket to a middle price bracket.

ECOLOGY, ENERGY AND SERVICES DIVISION

Flexibility and innovativeness of our processes and services enabled the achievement of good business results in spite of the crisis that substantially decreased the scope of business activities in industrial sectors as our key market in 2009. Sales revenue of the Division remained at the level of the previous year.

Due to the world financial crisis the prices of raw materials and energy products dropped at the beginning of the year 2009; as a result the selling prices of our main products dropped as well: waste iron, packaging, wood biomass, electrical energy and coal. This had a different impact on the sales volume of our products. In case of waste iron the volume remained at the level of the year 2008 and the sales revenue decreased to the level of the year 2006.

Services relating to hazardous waste were marketed also in other segments due to the reduced scope of industrial production in Slovenia, Croatia and other parts of South-East Europe. The sales revenue significantly increased in trade waste due to the obtained new concession in municipalities that have no organised centres for waste management.

The quantity of electricity sold was doubled in the year 2009, but sales revenue remained at the level of the year 2008. The cross-frontier trade in electricity in South-East and Eastern Europe was of vital importance.

The quantity sale of wood biomass almost doubled in the Slovene market. The main reason for such growth is government subsidies for the use of renewable sources. The sale of coal did not achieve any important growth over the year 2008.

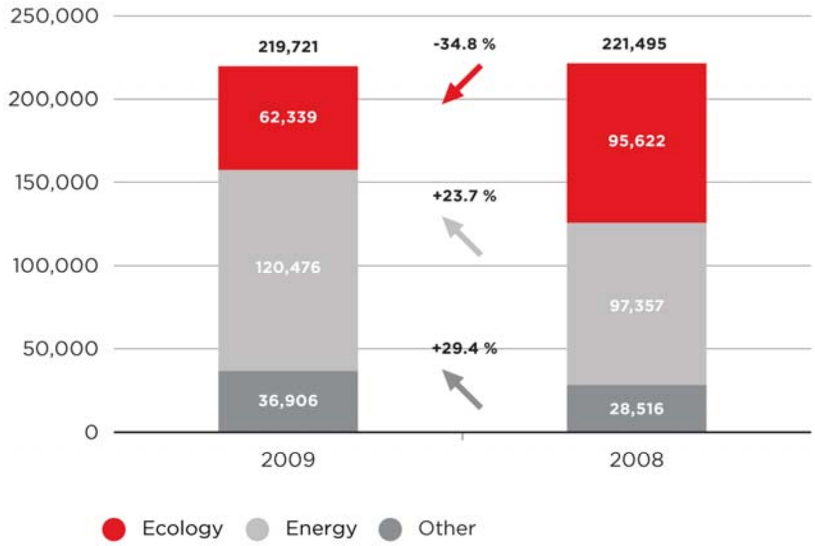
We were successful in the representation and engineering of medical equipment, since we were professionally prepared for an intensive investment year in this area. In 2009 the state of Slovenia equipped some of the newly opened hospitals.

The sale of tractors, fork-lift trucks, and other equipment considerably reduced mostly due to the limitation of investments in all areas of industry and agriculture.

In 2009 the activities started also in the area of sale of equipment for solar power plants.

The sales structure of the division drastically changed due to the adjustment to new conditions in the market - from the aspect of customers as well as from the aspect of products and kinds of services.

Structure of sales of the Ecology, Energy and Services Division



Source: Data of the Gorenje Group

PROFIT OR LOSS PERFORMANCE

Key data on operating activities (in 000 EUR)

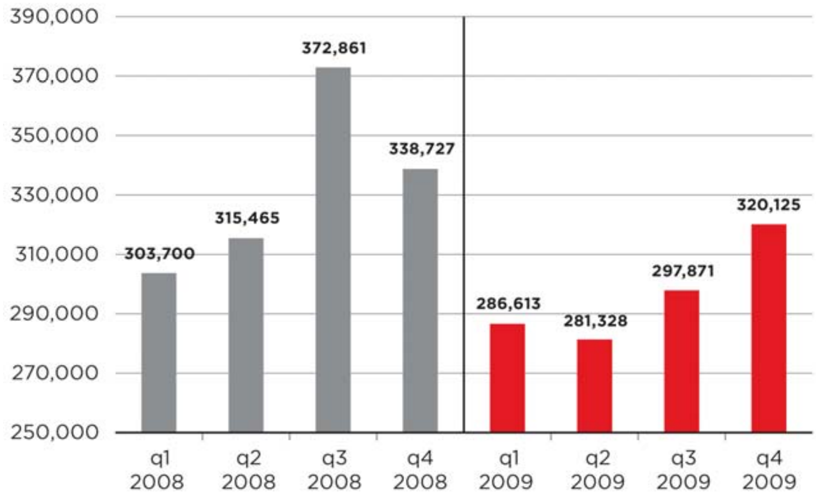
	2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Consolidated sales revenue	1,185,937	320,125	297,871	281,328	286,613	1,330,753	338,727	372,861	315,465	303,700
EBITDA	68,199	24,747	22,724	13,593	7,135	94,014	22,826	23,959	21,641	25,588
EBITDA margin (in %)	5.80 %	7.70 %	7.60 %	4.80%	2.50 %	7.10 %	6.70 %	6.40 %	6.90 %	8.40 %
EBIT	12,149	11,578	8,079	-479	-7,029	36,893	8,782	9,412	7,270	11,429
EBIT margin (in %)	1.00 %	3.60 %	2.70 %	-0.20 %	-2.50 %	2.80 %	2.60 %	2.50 %	2.30 %	3.80 %
Total profit or loss	-9,308	1,198	4,221	-1,324	-13,403	15,473	-4,726	8,853	4,558	6,788
Net profit or loss	-12,232	2,336	3,427	-3,253	-14,742	10,181	-5,243	7,273	2,798	5,353
ROS (net return on sales)	-1.00 %	0.70 %	1.20 %	-1.20 %	-5.10 %	0.80 %	-1.50 %	2.00 %	0.90 %	1.80 %
ROA (net return on assets)	-1.00 %	0.80 %	1.20 %	-1.10 %	-4.80 %	0.90 %	-1.70 %	2.40 %	1.00 %	2.10 %
Sales revenue per employee	108.73	29.57	27.46	25.81	25.92	116.41	29.28	31.99	28.08	26.95
EBITDA per employee	6.25	2.29	2.10	1.25	0.65	8.22	1.97	2.06	1.93	2.27
EBIT per employee	1.11	1.07	0.74	-0.04	-0.64	3.23	0.76	0.81	0.65	1.01
Net profit or loss per employee	-1.12	0.22	0.32	-0.30	-1.33	0.89	-0.45	0.62	0.25	0.48
Employees (final)	10,675	10,675	10,847	10,917	10,950	11,323	11,323	11,631	11,324	11,212
Employees (average)	10,907	10,825	10,846	10,901	11,056	11,432	11,567	11,657	11,236	11,268

Source: Data of the Gorenje Group

The main reasons for the reduction in profitability in 2009 were an important reduction in sales revenue and gradual adjustment of costs to the new (lower) level of revenue. The negative impact of the financial crisis caused lower borrowing of final consumers which significantly limited their purchase of household appliances and interior furnishing in the year 2009. In addition to the smaller physical sales volume structural changes of products and markets influenced the decrease in revenue.

The sales volume started increasing in the third quarter after two consecutive quarters of decrease starting at the beginning of the year 2009. The position in the markets of Eastern and South-East Europe improved most, which significantly contributed to the improvement of profitability of sales in the second half of the year. In Western Europe the growth in sales was achieved in the first half of the year in spite of the demanding environment; such trend was maintained also in the second half of the year.

Quarterly movement of product sales (in thousand EUR)



Source: Data of the Gorenje Group

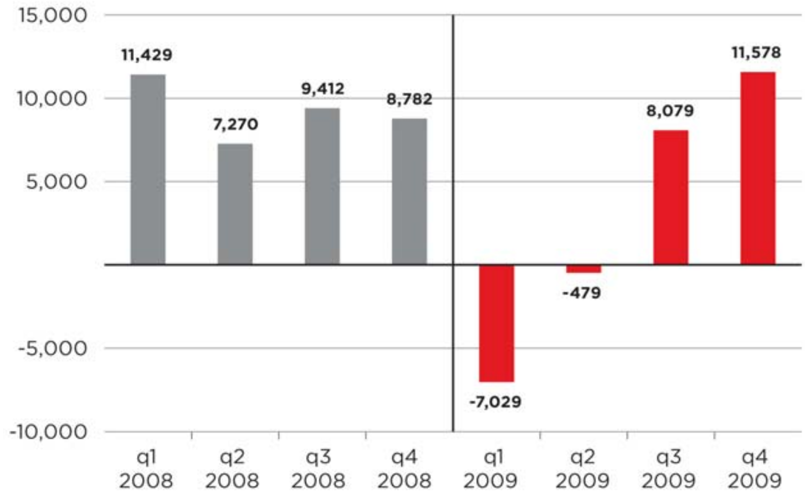
In 2009 the value of contribution margin decreased by 55.9 million EUR. The decrease in scope of business activities can be related to the reduction amounting to 56.5 million EUR, but the profitability of the contribution improved by 0.6 million EUR.

When discussion the operation of the household appliances division special attention has to be paid to the fact that inventories of raw material and materials valued higher contributed also to the profit or loss of the first half of 2009. To the end of April 2009 the inventories from strategic purchasing carried out in September and October 2008 were used. They were purchased at higher prices than the prices in the market after the beginning of the world crisis at the end of 2008.

Activities for the optimisation of costs of services started already in December 2008. The first concrete results were evident in April 2009, and total savings reached 37.9 million EUR or 18.7 % when compared to the data of the year 2008 (after the exclusion of services relating to the sale of medical equipment which was an extraordinary transaction in comparison with the year 2008 and the effect of the company Atag due to the achievement of comparable data in the periods observed). It is important that the reduction in costs of services amounted to 6.6 million EUR or 12.4 % in the last quarter of 2009 (when compared to the same period 2008) in spite of the growth of the scope of business activities.

Labour costs reduced by 7.2 million EUR (3.2 %) over the year 2008 and the number of employees decreased by 648 during the year. But these data are not directly comparable. If the company Atag were excluded from costs in the first half of the year 2009 (10.4 million EUR) and government subsidies in 2009 (5.0 million EUR) are considered, and effects of requirements of employees during the break in work (2.7 million EUR), this results in labour costs lower by 25.3 million EUR or 11.2 %. Such a reduction is in compliance with the decision of the management board to use all the possibilities of gradual adjustment of the number of employees to the lower scope of business activities without any immediate termination of employment contracts and to use all the possibilities of government subsidies relating to labour work.

Quarterly movement of EBIT (in thousand EUR)

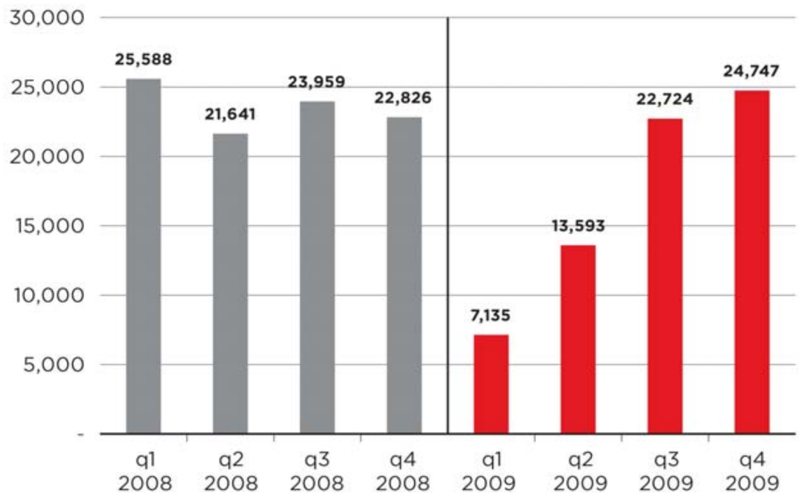


Source: Data of the Gorenje Group

Due to the circumstances described the Gorenje Group earned 12.1 million EUR operating profit (EBIT) in 2009. The result of the year 2008 was by 24.8 million EUR higher and the majority of decreases were results of the events in the first half of the year, but in the last quarter the results from their comparable period of 2008 was exceeded by 2.8 million EUR (by 32 %). A poor result of the year 2009 was a result of the reduced business activities (a decrease in contribution margin amounting to 55.9 million EUR). The anti-crisis measures taken helped alleviate the effects of the fall by 31.1 million EUR or more exactly:

- an improvement of other operating revenue by 6.9 million EUR - mostly relating to subsidies received for salaries (5.0 million EUR) and compensation received (1.2 million EUR);
- an improvement relating to costs of services in the amount of 15.4 million EUR (in spite of higher selling costs of medicinal equipment of the company GTI, d.o.o., and costs of services of the company Atag that joined the Group in July 2008);
- an improvement of labour costs before consideration of government subsidies (5.0 million EUR) amounting to 7.2 million EUR and after consideration of requirements during break in work (2.7 million EUR in September);
- an improvement of 1.6 million EUR relating to other operating expenses/revenue.

Quarterly movement of EBITDA (in thousand EUR)



Source: Data of the Gorenje Group

A negative financial result amounting to 21.4 million EUR is the main reason that the year ended with a 9.3 million EUR of negative total profit or loss before taxation in spite of 12.1 million EUR of operating profit. Thus the financing results remained at the level of the year 2008, but the financial revenue from revaluation increased in 2009 (by 2.5 million EUR). Other financial expenses increased (5.0 million EUR due to adjustments for receivables) and interest expenses (3.5 million EUR) and expenses for foreign exchange losses decreased in the amount of 1.5 million EUR. The sale of investments was realised in both comparable periods; in 2008 in the amount of 3.4 million EUR and in 2009 in the amount of 3.1 million EUR.

Income tax of the group companies that has positive results in 2009 amounted to 2.9 million EUR. Net profit or loss of the Gorenje Group additionally worsened to the level of loss amounting to 12.2 million EUR.

FINANCIAL POSITION

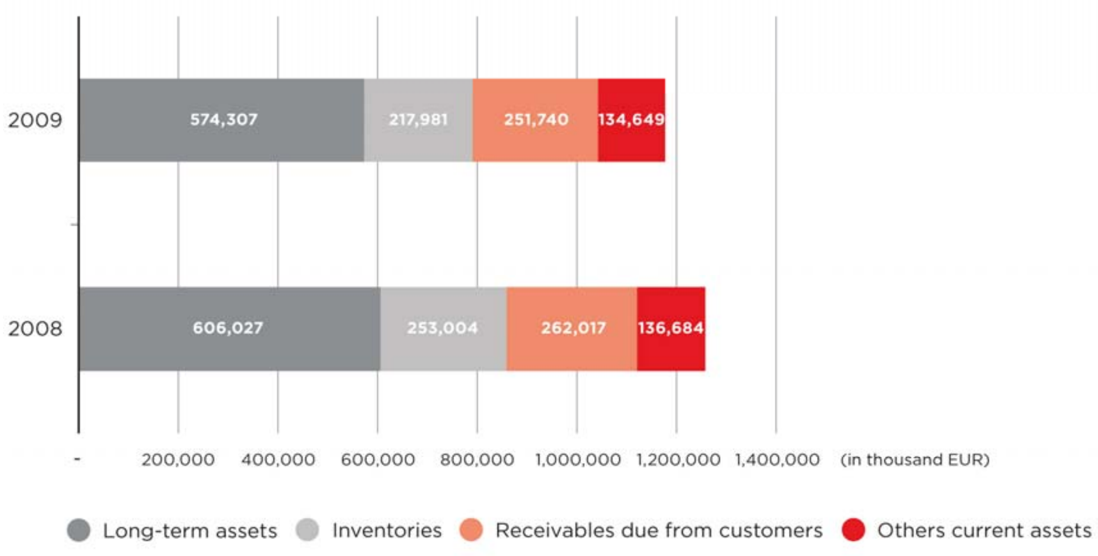
The Gorenje Group responded to the financial crisis that marked the year 2009 by taking measures for the protection of cash flow and decrease in short-term loans and borrowings. This was a set anti-crisis measures adopted by the management board of the Group in order to be able to achieve a positive cash flow by the limitation of investments and reduction in inventories and receivables. Such measures shall protect the Gorenje Group against liquidity problems; the positive cash flow achieved in 2009 means that the Group will be ready at the end of crisis to take advantage of the new growth in the markets that will follow. The measures influenced also the statement of financial position of the Gorenje Group.

The value of long-term assets decreased in 2009 due a slowed-down investing cycle and transfer of some long-term investments to short-term ones.

The value of current assets reduced by 47.3 million EUR when compared to the balance at the end of the year 2008. The main reason for this reduction is the decrease in inventories (by 35.0 million EUR) and receivables due from customers (by 10.3 million EUR) as a consequence of anti-crisis measures of the Group.

The share of long-term assets amounted to 48.7 % in the structure of assets and increased by 0.5 % over the previous year.

Structure of assets of the Gorenje Group

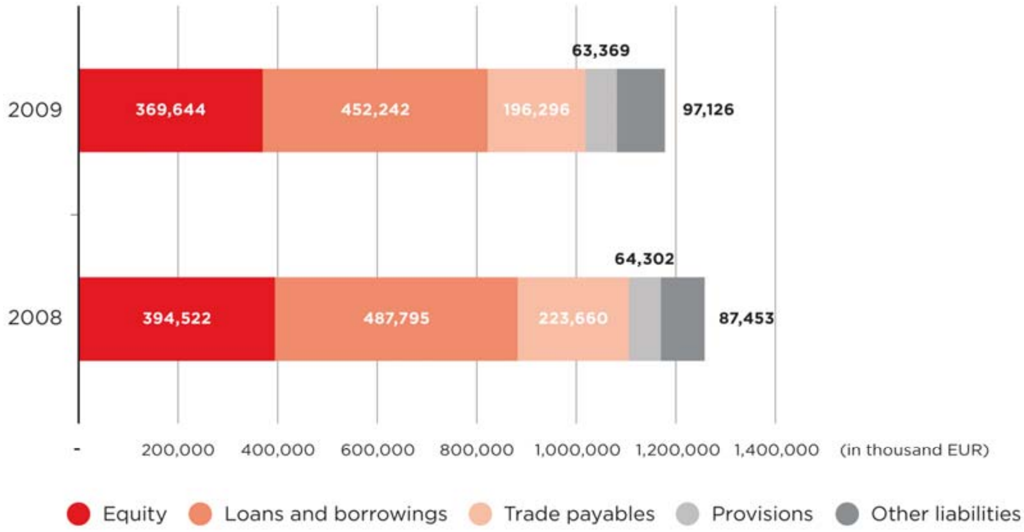


Source: Data of the Gorenje Group

At the end of 2009 equity capital amounted to 369.9 million EUR and reduced by 24.6 million EUR or 6.2 % when compared to the end of the year 2008. This was a consequence of the negative net profit or loss in 2009, revaluation of investments to a fair value and cash flow optimisation. In the structure of liabilities the share of equity accounted for 31.4 % and remained unchanged over the end of 2008.

Short-term trade payables reduced by 27.4 million EUR and followed the production fall. Consequently, their share in the structure of liabilities decreased by 1.1 % and at the end of 2009 it accounted for 16.7 %.

Structure of liabilities of the Gorenje Group

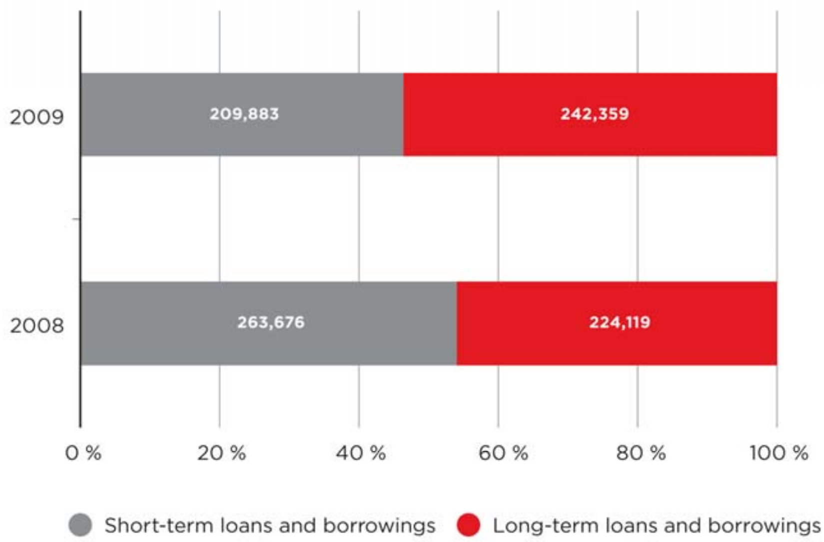


Source: Data of the Gorenje Group

Loans and borrowings reduced by 35.6 million EUR (by 7.3 %) over the previous year. This reduction is a result of the measures for cash flow optimisation by the reduction in working capital and lower investment intensity. At the end of 2009 loans and borrowings accounted for 38.4 % in the structure of liabilities or 0.4 % less than in the previous year.

An important change in the structure of maturity was observed in addition to the reduction in loans and borrowings in 2009; the share of short-term loans and borrowings increased and the share of long-term ones decreased.

Structure of maturity of loans and borrowings of the Gorenje Group



Source: Data of the Gorenje Group

CASH FLOW AND FINANCIAL PERFORMANCE

In the past the Gorenje Group took advantage of opportunities being offered in the market in form of relatively favourable conditions of loans and sound potential growth rates of the industry in some emerging markets.

We responded to the conditions by an investment cycle and some acquisitions (the last one is the Dutch Atag) and direct investments (i.e. construction of a factory in Valjevo) were carried out within it. The operation with a negative cash flow was a result of intensive investing.

In 2009 the position in financial markets worsened and the Gorenje Group adjusted to it by anti-crisis measures and protected the cash flow. Above all, the value of investments and working capital reduced and thus one of the most important goals in the year 2009 was achieved - operation with a positive cash flow.

The Gorenje Group increased net operating financial flow by 27.3 million EUR (by 70.2 %) in 2009. The result is mainly a consequence of a reduction in inventories amounting to 35.0 million EUR and receivables due from customers amounting to 10.3 million EUR. Both items increased in 2008 and had a negative influence on net cash flow.

On the other hand, the negative profit or loss and changes in operating and other liabilities had a negative influence on net cash flow which is related to the reduced volume of business activities in 2009.

Cash flow of the Gorenje Group (in thousand EUR)

	2009	2008	Change in %
Net operating cash flow	65,577	38,916	68.5%
Net financing flow from investing activities	-19,458	-191,338	-89.8%
Net financing flow from financing activities	-43,104	158,853	
Net increase in cash and cash equivalents	3,015	6,431	-53.1%

Source: Data of the Gorenje Group

Net financial flow from financing activities increased by 171.2 million EUR when compared to the previous year, which is mainly a result of smaller investments. In 2008 the Gorenje Group intended 95 million EUR for the purchase of an affiliated undertaking (Atag). In 2009 the company made no acquisitions with the exception of the purchase of a minority share in the company Surovina amounting to 7.6 million EUR. Some important results were achieved also by anti-crisis measures in the area of reduction in working capital.

Free cash flow of the Gorenje Group (in thousand EUR)

Free cash flow	2009	2008	Change
Net profit or loss	-12,232	10,181	-22,413
Amortisation / depreciation	56,050	57,121	-1,071
Net cash flow	43,818	67,302	-23,484
Capex	-28,732	-76,807	48,075
Investment in net current assets	17,936	-35,616	53,552
– change in inventories	35,023	-35,533	70,556
– changes in receivables due from customers	10,277	-3,482	13,759
– change in trade payables	-27,364	3,399	-30,763
Free cash flow	**33,022**	**-45,121**	**78,143**

Source: Data of the Gorenje Group

FINANCIAL MANAGEMENT

The Gorenje Group carries out the uniform policy of operating liabilities and receivables, financing and investing and in co-operation with banks and insurance companies. The implementation of the financial policy and cash management are under competence of the parent company. In 2009 it strengthened its role in financing by provision of required financial resources under market and favourable conditions for all the companies within the Group.

Short-term financial solvency of the Group has been ensured by the efficient cash management and suitable amount of credit lines for short-term cash management. Special attention has been paid to the planning of cash flows at the Group level.

Since 2006 an international programme of protection of property and liability has been concluded with the insurance company Generali and its business partners; this programme includes the majority of companies in the Gorenje Group. The conditions of transport insurance and car insurance have been unified for all companies in Slovenia concluded with Triglav - the insurance company. These insurance programmes have been up-graded and adjusted to the requirements of operation and risks on an annual basis.

The Gorenje Group had no liquidity problems in the last year. Coverage of long-term assets by long-term sources amounted to 118.6 % at the end of 2009. At the end of the year liquidity sources were available in the amount of 162.7 million EUR as cash and cash equivalents (27.1 million EUR), short-term time deposits with banks (16.1 million EUR) and non-utilised, granted revolving loans (119.4 million EUR).

At the end of 2009 loans and borrowings amounted to 452.2 million EUR and reduced by 35.6 million EUR or 7.3 % in a year.

Structure of loans and borrowings of the Gorenje Group as at 31 Dec. 2009

Maturity structure	Share
Long-term loans	54.4 %
Short-term loans	45.6 %
Currency structure	
Euor	95.1 %
CZK (Czech koruna)	3.2 %
Other currencies	1.7 %
Variability of interest rates	
Fixed	47.5 %
Variable	52.5 %

Source: Data of the Gorenje Group

In 2009 the value of investments reduced by 2.4 million EUR as a result of sale of a minor part of investments and impairment of their values to market levels.

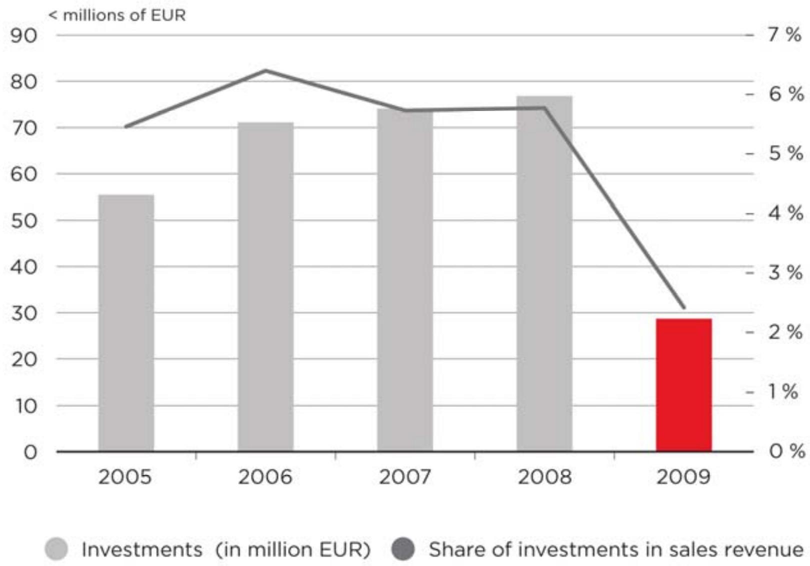
INVESTMENTS

In 2009 the Gorenje Group intended 28.5 million EUR for investments. Out of this amount 24 million EUR were allocated to property, plant and equipment and 4.5 million EUR to intangible assets. Their total value reduced by 48.3 million EUR or 62 % over the year 2008. The main reason for such development is the world financial crisis due to which the Gorenje Group took the anti-crisis measures, limited the investments and thus increased prudence. Two thirds of all investments were made in the Household Appliances Division.

The investments in 2009 were exclusively intended for the continuation of activities in the field of development of products and key markets since the Group has considered them as of crucial importance for the time when markets will start growing again:

- the project of Combi 750 cooling-freezing appliances for an industrial customer,
- expansion of a product range of cooking appliances for the Russian market,
- introduction of appliances of energy classes A+ and A++.
- transfer of production of Atag appliances to the parent company.

Investments of the Gorenje Group and their share in sales revenue



Source: Data of the Gorenje Group

Investments in fixed assets of the Gorenje Group by division (in 000 EUR)

	2009	2008
Household Appliances Division	19,072	58,550
Home Interior Division	1,792	1,524
Ecology, Energy and Services Division	7,868	16,733
Total	**28,732**	**76,807**

Source: Data of the Gorenje Group

RISKS

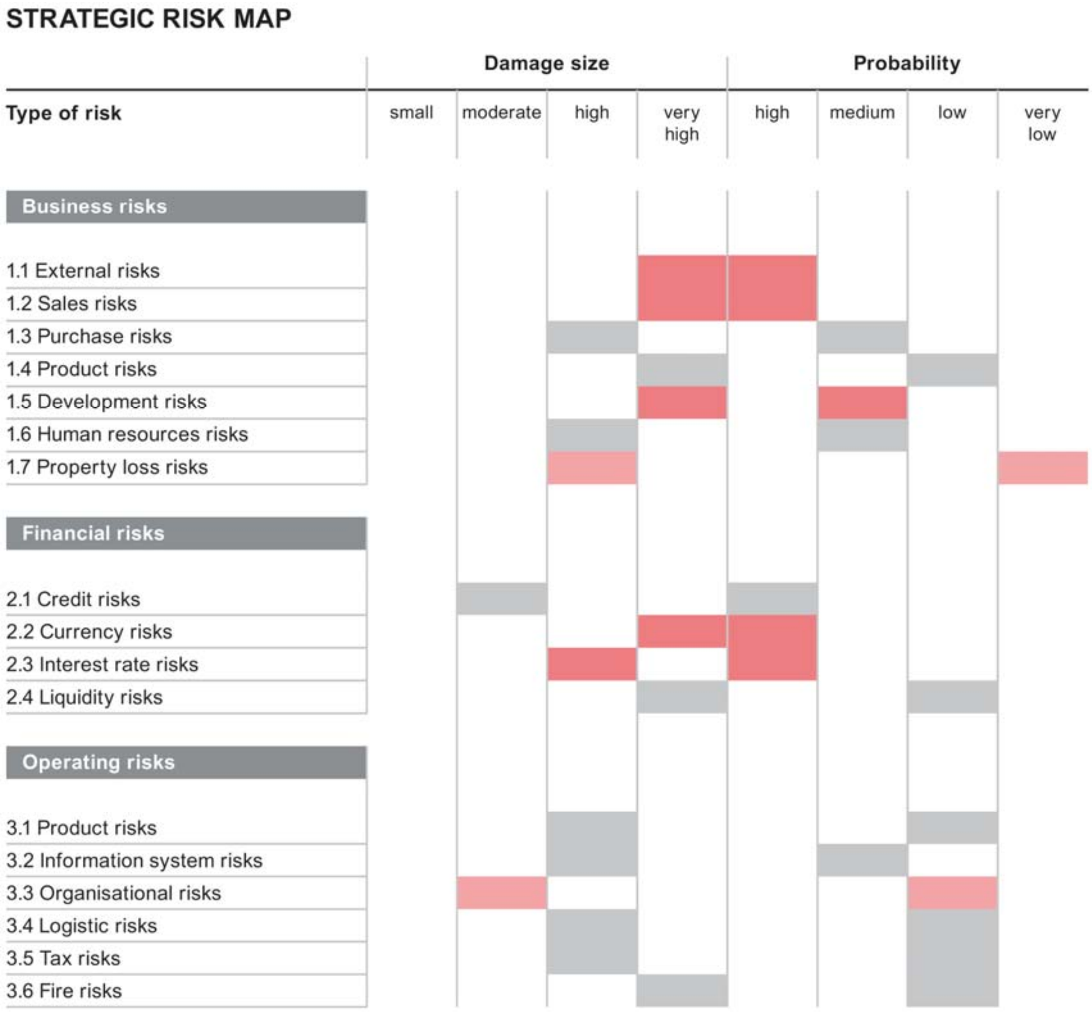
The Gorenje Group decentralised risks management in 2009 and transferred it to individual divisions. A risk management council operates at the level of the Group and includes committees that cover operational, financial and operating risks within individual divisions.

Each committee is responsible for the detection and valuation of risks relating to:

- potential influence on the budgeted result,
- evaluation of likelihood for the occurrence or frequency of occurrence of an individual influence.

The Committee prepares measures for the reduction in influence of risks on the operation of the Group as well as a cost estimate for their implementation on the basis of valuations. Subsequently, the risk management committee analyses the interconnection of risks, directs and co-ordinates all the measures in the field of their reduction. Risk valuation is also the basis for the plan of audit controls. Efficiency of their control is analysed on a quarterly basis

Strategic risk map



BUSINESS RISKS

Business risks are classified as risks associated with the ability of provision of generation of operating revenue, control of business processes and maintenance of asset value.

External risks are mainly associated with the changes in macroeconomic conditions of operation in individual key markets. The exposure of the Group to these risks has greatly increased since the beginning of the global financial crisis.

Sales risks are associated with the competition in the sale of products and services. They include risks of appropriate marketing strategy (brand name, price and functional competition of products, design etc.), risk of increasing negotiating power of major industrial customers and trade chains and quality of after-sales services.

The most important factors of **purchase risks** are inflexibility in raw material markets and movement in US dollar exchange rates. The Household Appliances Division carries out forward purchases of stock exchange metals on LME (London Metal Exchange) and concludes futures contracts of non-stock exchange metals. Long-term partnerships have been established and the development of supply sources mostly in dollar LCC markets continued and thus the natural protection of US dollar sales has been provided.

The most important material of the Home Interior Division is chipboard since it has a significant influence on costs, quality and undisturbed production of the division. Chipboard suppliers are organised in cartels and harmonise the price policy; joining of new competitors has been hindered by the limitation of board transport to 700 kilometres. At present the increase in prices prevails. The risk has been minimised by the inclusion of all suitable suppliers in our purchase chains and thus optimal prices and undisturbed deliveries have been provided.

Product risks may lead to incorrect operation of appliances in the market and in an extreme case to product liability of the producer. These risks are limited by suitable development systems and quality assurance in scope of production, sales and after-sales processes and additionally by the insurance of product liability. A quality management system in accordance with the requirements of SIST EN ISO 9001/2000 and the system of accredited methods under ISO 17025 and the six sigma quality management system have been established in the Gorenje Group. The use of the new program for the SAS cancellation analysis shortens the time to detection of any possible cancellations and limits costs arising from serial failures.

Investment and development risks are associated with the achievement of the planned economic of investments, successful activation of investments in the development of new product generation and successful introduction of new technologies. Risks of introducing new generations and new technologies have been reduced by detailed preparation of business plans. A project approach enabling monitoring of the goals set and alleviating searching for measures in cases of deviations from the plan has been adopted.

The reduced scope of production dictates a decrease in labour costs and thus dismissal **Human resources risks** have increased also in compliance with the Minimal Salary Act. These phenomena render the conditions of a social dialogue. Great attention has now been paid to adequate and timely informing, responses to questions relating to the reduction in the number of employees, salaries and healthy working environment. In order to be able to provide appropriate human resources on key positions we will continue the policy of granting scholarships, off-the-job-training and motivation for the assumption of new challenges and possibility of variable remuneration.

Property loss risks include property and transport risks that have been transferred to insurance companies or business partners and thus the exposure to such risks has been reduced.

FINANCIAL RISKS

The main goals of financial risk management are achievement of operating stability, increase in value of the companies within the Gorenje Group, increase in financial revenue, reduction in financial expenses and decrease in effect of exceptional loss events.

Exposure of the Group to individual kinds of financial risks has been assessed on the basis of their effects on cash flows. Activities relating to the protection against them have been carried out on the business, investment and financial fields.

Credit, currency and interest rate risks as well as risks of financial solvency are key kinds of financial risks for the Gorenje Group. Due to the increasingly difficult macro-economic situation in 2009 the special attention was paid to **credit risks** to which the Group was exposed in compliance with the assessment of the management board. They include all risks where economic benefits of the Group are reduced due to unsettled contractual obligations of business partners. The following measures have been taken for their control:

- security of the major part of operating receivables with the Slovene Export Company (SID) - Prva kreditna zavarovalnica d.d. and other insurance companies,
- risks receivables due from customers have been additionally secured by bank guarantees and other security instruments,
- the financial position of new and existing business partners has been regularly controlled and limits on maximum exposure have been set,
- joint and chain offset with customers have been carried out,
- credit limits and collection of receivables have been controlled.

Due to geographic diversification of operation the Gorenje Group has been greatly **exposed to currency risks** where the economic benefits of the company may decrease due to changes in the exchange rate of an individual currency. The exposure of cash flows and balance sheet has been considered in the valuation of risks. These risks are high in the markets of Serbia, Great Britain, Czech Republic, Slovakia, Poland, Hungary, Croatia, Turkey, and in all US dollar markets. Special attention has been paid to the control of currency risk by regulation of sales and purchasing in a separate currency. Futures contracts and short-term borrowings in local currency have been used as protection against short-term currency fluctuations.

In recent years great attention has been paid to **interest rate risks** that may reduce economic benefits of the company due to a change in interest rates in the market. In the financial year 2009 the share of loans with a fixed interest rate or those secured by derived financial instruments grew. At the end of 2009 their share accounted for 47.5 % of the credit portfolio of the Gorenje Group.

Liquidity risk includes risks associated with the lack of financial resources available and consequently the inability of the company to settle its liabilities within the time limits agreed. The financial liabilities of the Gorenje Group amounting to 192.0 million EUR mature in the year 2010 and therefore discussions with banks relating to the re-financing of the existing financial liabilities started. The liquidity reserve as at 31 December 2009 amounting to 162.7 million EUR consisting of unutilised revolving lines, short-term time deposits at banks and cash on accounts of the Gorenje Group have provided appropriate short-term regulation of cash flows and liquidity of the Group.

The risk of short-term liquidity of the Gorenje Group has increased due to the reduction in availability of financing sources of our business partners who sell or purchase the goods. The risk of long-term liquidity is moderate and a consequence of successful operation, efficient asset management, sustained ability of generating cash flows from operating activities and suitable equity structure.

OPERATING RISKS

Operating risks include a reduction in economic benefits of the Group arising from the ability of unsuitable planning, performance and control of business processes and activities.

When controlling **production risks** the emphasis has been placed on the operation of key equipment (machines, tools, production lines) and infrastructure involving undisturbed supply with energy products and appropriate management of hazardous substances. The production risk is greater in line production and it is controlled by qualifications of employees and regular maintenance of production lines.

Information system risks are related to the assurance of availability and response of the information system (hardware and software). The exposure to these risks has been reduced by the introduction of the SAP information system to all the companies in the Household Appliances Division and besides that by:

- measures for individual types of disturbances in the operation of the local computer network, supporting servers, global communications and network connections in the system prepared in advance,
- operation of the centre for continuous operation or safe secondary locations (i.e. Disaster Recovery Center - DRC),
- changes in the architecture of server systems (server virtualisation),
- BCM (business continuity management) process control and the related measures,
- regular maintenance of hardware and software, communications and network connections,
- regular archiving of data,
- planning of actions at the time of information support failure,
- control of changes in the development of information systems.

Organisational changes are associated with non-observing of rules and regulations. Managers or heads play the key role in the control of these risks since they have to provide compliance of authorisation and responsibilities of individual employees in co-operation with the Organisation department. The Gorenje Group would like to encourage innovativeness of the employees by such procedures and therefore we avoid excessive automation.

Logistic risks are associated with the increase in transport costs of products. Supply and demand are most important factors influencing prices of sea transport, but oil prices influence road transport to a maximum extent. Contracts with suppliers include the possibility of a change in transport price upon changes in oil prices. These risks are assessed under consideration of the movement of oil prices and prices of sea transport.

Tax risks are associated with potential changes in tax legislation, its implementation and provision of administrative conditions. The basic control measure is consistent following of regulations of tax legislation, monitoring of tax and legal practice, establishment of internal control mechanisms and intensive co-operation among the departments in the Group companies, etc. Transfer prices related to the operation of subsidiaries are co-ordinated at the Group level.

Fire risks have been limited by regular assessment of fire danger on the basis of which all facilities have been equipped by active fire protection systems, the supervision over the performance of fire protection measures has been intensified, and the employees have been additionally trained in the area of fire protection.

PURCHASING

The prices of raw materials have achieved one of the greatest increases on stock exchanges in the last decades in spite of the reduction in world economic activities in the year 2009. At the beginning of the year the decrease of the year 2008 continued and reached the bottom in March 2009. A significant turning point came and led to strong growth of raw material prices on stock exchanges and the trend marked by some periodic negative corrections continued to the end of the year.

The early recovery of raw material prices was surprising with respect to the crisis economic conditions. The growth at the annual level strongly exceeded the recovery of the economy and changes in real factors of raw material trading (offer, inquiry, inventories, capacities and similar).

The main reason for such development of events is probably speculative purchases of financial investors that were based on optimism that the state fiscal and monetary incentives would lead to quick recovery of the world economy. The increase in raw material prices was additionally driven by the decrease in the US dollar value, large inflows of money to financial markets, record import from China (government incentives of infrastructural projects, making of strategic inventories), reduction in capacity at the beginning of the year and process of replenishing inventories.

In the second part of the previous year the world economy started climbing out of the deep recession and therefore the demand for raw materials increased moderately.

Changes in raw material prices in world markets in the year 2009

	30 Dec. 09	31 Dec. 2008	Change (measured in EUR)
Energy products ($/barrel)			
Crude oil Brent	77.93	45.58	65.80 %
Non-ferrous metals ($/mt)			
Copper	7.35	3.06	132.88 %
Aluminium	2.21	1.54	39.54 %
Zinc	2.57	1.21	106.39 %
Nickel	18.48	11.70	56.21 %
Steel sheet (EUR/t)	436.70	500.00	-12.70 %
Indexes			
LMEX Index (6)	3,398.60	1,723.30	91.25 %
Reuters CRB I (19)	283.38	229.54	19.76 %
Plastixx (polymer)	1,570.60	1,354.10	12.52 %

Sources: crude oil Brent: www.wtrg.com, WTRG Economics London; LMEX: www.finanztreff.de; www.lme.com; non-ferrous metals: Reuters 3000 Xtra Terminal Platform, paid portal (Turk, Krt); CRB: www.onvista.de; www.crbtrader.com; Reuters-Jefferies CRB (Commodity Research Bureau); Plastixx: www.pieweb.plasteurope.com; steel sheet: www.crugroup.com

Household Appliances Division

In 2009 the prices of industrial metals and crude oil went up most. In case of raw materials that are not traded on stock exchanges (e.g. steel sheet) the prices reflected the economic situation and conditions of weak demand in real terms. At the end of 2008 the price of cold-rolled sheet metal reduced by 12.7 % and the price of stainless steel increased by 6.5 %. In spite of extensive increases in prices of raw materials last year the prices did not reach record levels of the last two years and were lower than the average of the year 2008 on average.

Strategic orientation of the Gorenje Group for the protection against increases in raw material prices:

- monitoring and timely detection of market influences,
- time-sharing of stock exchange raw materials through suppliers,
- conduct of auctions in order to get the most competitive price conditions,
- development and increase in volume of supply sources from Asia and in US dollar areas of the South-East Europe,
- strengthening of relations with strategic partners.

Home Interior Division

In the financial year 2009 great attention was paid to price control of strategic input materials that importantly influence out costs and whose price increased in the second half of the year.

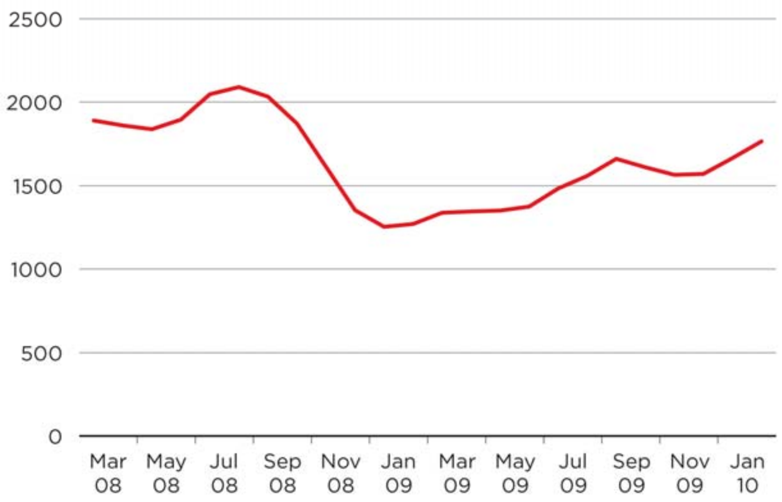
Kitchen materials to be built-in and their suppliers were unified in 2009. Thus more favourable purchasing conditions were obtained and inventories decreased. The activities mentioned will reflect in the savings of the year 2010. Groups of materials that will be excluded from purchasing due to the kitchen unification project have been defined.

Ecology, energy and services division

Ecology, energy and services division purchases products and sells them to its customers. Prices of the main products of the division decrease at the beginning of the year and then started increasing in March. On average, they were slightly higher at the end of the year than in 2008.

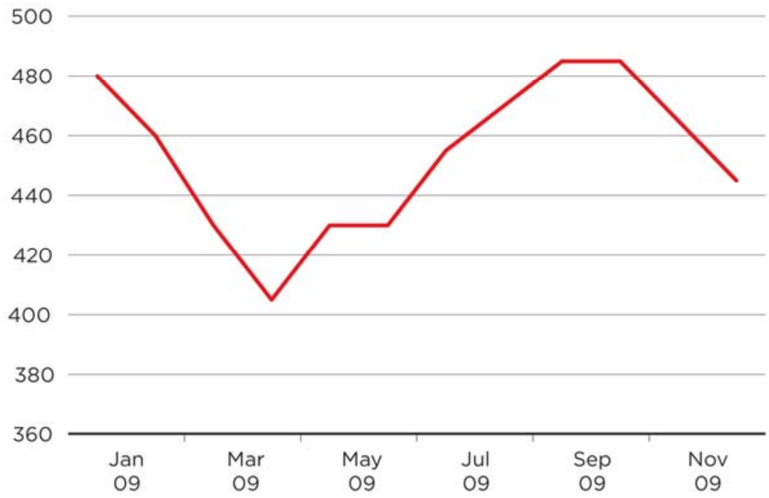
Periodic, sudden falls in prices and diminished volume of inquiry were solved by repeated negotiations with suppliers and expansion of the purchasing market. More up-to-date monitoring of inventories and logistics was introduced. It has been tried to relate all contracts to average values of world indexes of individual raw materials. Infrastructure established for the purchase of materials needed for household appliances from China is used for the products purchased.

Plasixx movement (polymer index)



Source: www.pieweb.plasteurope.com

Movement of CRC-sheet metal prices



Source: www.crugroup.com

RESEARCH AND DEVELOPMENT

Household Appliances Division

In 2009 the research-development activity was strengthened in spite of the world crisis. Work in development departments was focused on key areas in order to assure our long-term competitiveness:

- energy with the emphasis on the reduction in consumption of energy products and development of new, innovative technologies and products reducing energy consumption;
- simplicity of operation of household appliances and their connections that enable development of additional functionalities due to a possibility of remote control;
- search for new materials enabling development of new or improved functionalities of our existing products; ecological suitability of materials and their influence of the cost-efficiency of the Group are of increasing importance.

Our strategic orientation is inclusion of external partners in our research-development projects: Institute Jožef Stefan Ljubljana, Faculty of electro-technology, computing and informatics Maribor, Faculties of mechanical engineering in Ljubljana and Maribor and Tecos Celje. In 2009 the co-operation with world-recognised experts in scope of the MSESI project (Gorenje Management Strategy for Excellence in Sustained Innovation) continued.

We were also successful in obtaining co-financing of research-development projects in the territory of the Republic of Slovenia. We are part of various consortia in the areas that are important for us from the aspect of assurance of long-term competition. The most important Slovene projects in 2009 were: integration of a multi-function space in a cooling-freezing appliance (IVP HZA) and development of high energy efficient household appliances (VUD++).

We were successful within a consortium applying with the CO NIN - Centre of excellence of nano-science and nano-technology (CO NIN). Funds were obtained also in scope of the seventh framework programme of the European Union where we participated in the INNOSHADE and BEYWATCH projects.

Home Interior Division

The programme of kitchen furniture was unified and the sales range expanded. This will provide significantly more possibilities to a customer when planning a kitchen than in the past. In addition to the development of new products and technologies we placed a great emphasis on research activity and co-operation with external institutions, mostly in the field of ecology, design and new technologies.

GORENJE GROUP COMPANIES

Besides the parent company the Gorenje Group includes the following subsidiaries and jointly controlled companies:

	Družbe, delujoče v Sloveniji	Lastniški delež (v %)	Divizija
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	AD
2.	Gorenje Tiki, d.o.o., Ljubljana	99.98	AD
3.	Gorenje GTI, d.o.o., Velenje	100.00	EES
4.	Gorenje Notranja oprema, d.o.o., Velenje	99.98	NO
5.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	EES
6.	ENERGYGOR, d.o.o., Velenje	100.00	EES
7.	KEMIS, d.o.o., Radomlje	100.00	EES
8.	Gorenje Orodjarna, d.o.o., Velenje	100.00	AD
9.	ZEOS, d.o.o., Ljubljana	51.00	EES
10.	ISTRABENZ GORENJE, d.o.o., Nova Gorica	49.34	EES
11.	GEN-I, d.o.o., Krško	24.67	EES
12.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	49.34	EES
13.	SUROVINA, d.d., Maribor	78.29	EES
14.	INDOP, d.o.o., Šoštanj	100.00	EES
15.	ERICo, d.o.o., Velenje	51.00	EES
16.	Istrabenz Gorenje inženiring, d.o.o., Ljubljana	49.34	EES
17.	Gorenje Projekt, d.o.o., Ljubljana	100.00	EES
18.	Gorenje design studio, d.o.o., Velenje	52.00	EES
19.	Vitales Nova Gorica, d.o.o., Nova Gorica	49.34	EES
20.	PUBLICUS, d.o.o., Ljubljana	51.00	EES
21.	IG AP, d.o.o., Kisovec	49.34	EES
22.	IGP, d.o.o., Trbovlje	24.67	EES

	Companies operating abroad	Ownership share (in %)	Division
23.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	AD
24.	Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00	AD
25.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	AD
26.	Gorenje Körting Italia S.r.l., Italy	100.00	AD
27.	Gorenje France S.A.S., France	100.00	AD
28.	Gorenje BELUX S.a.r.l., Belgium	100.00	AD
29.	Gorenje Espana, S.L., Spain	100.00	AD
30.	Gorenje UK Ltd., Great Britain	100.00	AD
31.	Gorenje Skandinavien A/S, Denmark	100.00	AD
32.	Gorenje AB, Sweden	100.00	AD
33.	Gorenje OY, Finland	100.00	AD
34.	Gorenje AS, Norway	100.00	AD
35.	OÜ Gorenje, Estonia	100.00	AD
36.	SIA Gorenje, Latvia	100.00	AD
37.	Gorenje spol. s r.o., Czech Republic	100.00	AD
38.	Gorenje real spol. s r.o., Czech Republic	100.00	AD
39.	Gorenje Slovakia s.r.o., Slovak Republic	100.00	AD
40.	Gorenje Budapest Kft., Hungary	100.00	AD
41.	Gorenje Polska Sp. z o.o., Poland	100.00	AD
42.	Gorenje Bulgaria EOOD, Bulgaria	100.00	AD
43.	Gorenje Zagreb, d.o.o., Croatia	100.00	AD
44.	Gorenje Skopje, d.o.o., Macedonia	100.00	AD
45.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	AD
46.	Gorenje, d.o.o., Serbia	100.00	AD
47.	Gorenje Podgorica , d.o.o., Montenegro	99.972	AD
48.	Gorenje Romania S.R.L., Romania	100.00	AD
49.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	AD
50.	Mora Moravia s r.o., Czech Republic	100.00	AD
51.	Gorenje - kuchyně spol. s r.o., Czech Republic	99.98	NO

52.	Kemis-Termoclean, d.o.o., Croatia	100.00	EES
53.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	EES
54.	Gorenje Invest, d.o.o., Serbia	100.00	AD
55.	Gorenje Gulf FZE, United Arab Emirates	100.00	AD
56.	Gorenje Tiki, d.o.o., Serbia	99.982	AD
57.	GEN-I Zagreb, d.o.o., Croatia	24.67	EES
58.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.17	EES
59.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	49.344	EES
60.	Gorenje Istanbul Ltd., Turkey	100.00	AD
61.	Sirovina, a.d. – in liquidation, Serbia	78.29	EES
62.	Gorenje TOV, Ukraine	100.00	AD
63.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	24.67	EES
64.	GEN-I, d.o.o, Serbia	24.67	EES
65.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.67	EES
66.	ST Bana Nekretnine, d.o.o., Serbia	100.00	EES
67.	GEN-I Budapest, Kft., Hungary	24.67	EES
68.	Kemis d.o.o. Valjevo, Serbia	100.00	EES
69.	Kemis – SRS d.o.o., Bosnia and Herzegovina	100.00	EES
70.	ATAG Europe BV, The Netherlands	100.00	AD
71.	ATAG Nederland BV, The Netherlands	100.00	AD
72.	ATAG België NV, Belgium	100.00	AD
73.	ATAG Financiele Diensten BV, The Netherlands	100.00	AD
74.	ATAG Financial Solutions BV, The Netherlands	100.00	AD
75.	Intell Properties BV, The Netherlands	100.00	AD
76.	ATAG Special Product BV, The Netherlands	100.00	AD
77.	Gorenje Nederland B.V., The Netherlands	100.00	AD
78.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	AD
79.	Gorenje kuhinje, d.o.o., Ukraine	69.986	NO
80.	Vitales Energie Biomasse S.R.L., Italy	25.17	EES
81.	Vitales Čakovec d.o.o., Croatia	49.344	EES
82.	»Euro Lumi & Surovina« SH.P.K., Kosovo	39.93	EES
83.	OOO Gorenje BT, Russia	100.00	EES
84.	GEN-I d.o.o. Sarajevo, Bosnia and Herzegovina	24.67	EES
85.	GEN-I DOOEL Skopje, Macedonia	24.67	EES
86.	GEN-I Athens SMLLC, Greece	24.67	EES
87.	GEN-I Tirana Sh.p.k., Albania	24.67	EES
88.	S.C. GEN-I Bucharest, Romania	24.67	EES
89.	Vitales inženjering d.o.o., Prijedor, Bosnia and Herzegovina	24.67	EES
90.	Gorenje GTI, d.o.o., Serbia	100.00	EES

Legend: AD – HOUSEHOLD APPLIANCES, NO – HOME INTERIOR, EES – ECOLOGY, ENERGY AND SERVICES

EVENTS AFTER THE REPORTING DATE

On 25 January 2010 a decision of the District Court in Kranj was issued relating to the entry of the establishment of the company EKOGOR družba za predelavo in obdelavo odpadkov, d.o.o., Jesenice; the company PUBLICUS, d.o.o. Ljubljana is among the partners of the company (a major one holding 51 %).

On 26 January 2010 the management board of Gorenje, d.d., published a summary of the strategic plan of the Gorenje Group for the period 2010-2013.

The supervisory board of Gorenje, d.d., appointed a five-member nomination board for the commission of the supervisory board in its meeting of 2 March 2010. The nomination board met on 5 March 2010. The meeting was chaired by the Chairman of the board Bachtiar Djalil. In the meeting the nomination board took a decision about the beginning of the procedure for the preparation of proposal for the appointment of members of the supervisory board of the company that has to be concluded until 6 April 2010.

In the meeting of 11 March 2010 the supervisory boars confirmed the members of the nomination board, expanded the composition of the board by one member and in compliance with the provisions of the Companies Act Peter Ješovnik, M.Sc. was appointed chairman of the nomination board. Members of the nomination board are the chairman of the supervisory board Jože Zagožen, Ph.D., Bachtiar Djalil, representative of Kapitalska družba, d. d., Andraž Grahek, representative of KD Skladi, d. o. o., Philip Sluiter, representative of Home Products Europe B. V., and Bogomir Kovač, Ph.D. representative of the human resources - accreditation board.

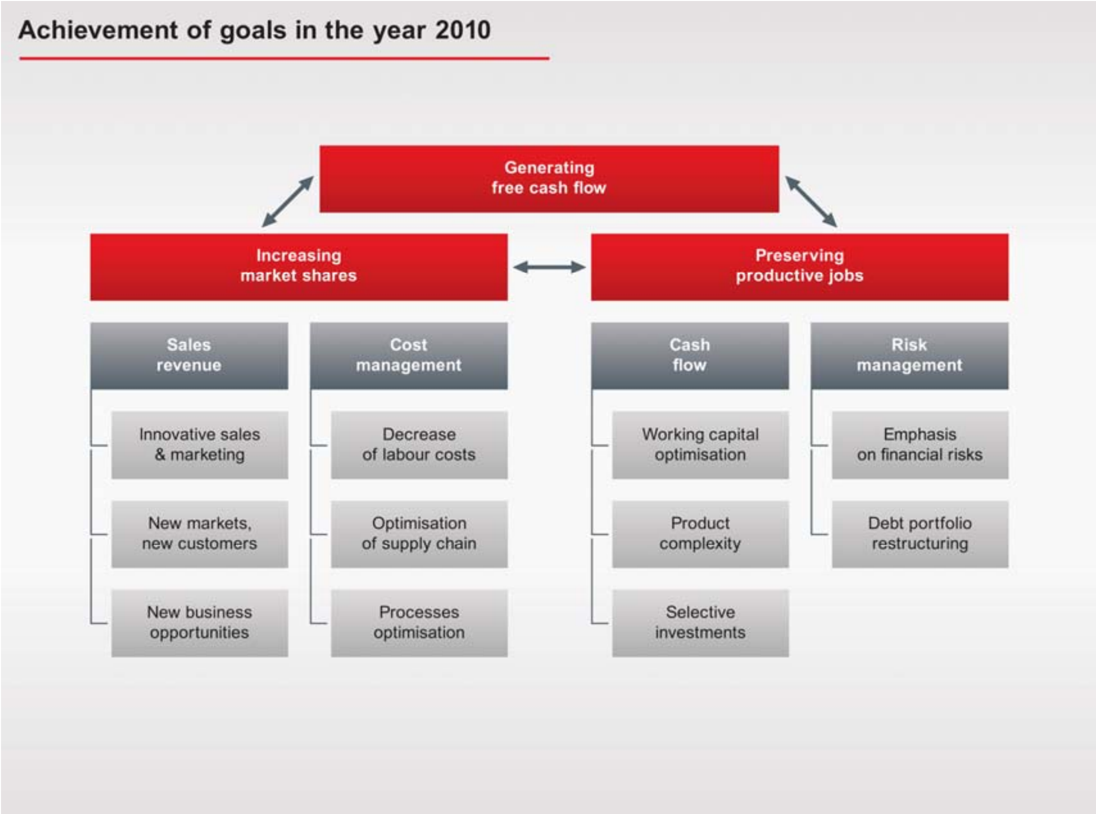
OBJECTIVES AND FORECASTS FOR 2010

In the last quarter of 2009 the conditions of operation importantly improved in our key markets when compared to the beginning of the year. World economy came out of the recession and the decrease in currencies in South-East and Eastern European markets stopped. In spite of some problems that are still evident (uncertain conditions in the labour market and difficult accessibility to bank financing) customers responded to the improved conditions by greater demand for durable goods including our products. It has been estimated in the Gorenje Group that the positive trend will continue also in the year 2010 and will again enable achievement of growth in revenue and operation with a positive result.

In spite of optimism we are aware that we still operate in severe market conditions demanding continuation of measures taken already in the year 2009 and whose goals are generation of a positive cash flow and growth in market shares along with the maintenance of production jobs.

One of the most important measures will remain selective limitation of investments to 28.8 million EUR or 2.3 % of sales revenue (the same share as in 2009) in 2010. Above all, the technological and product development of the household appliances division will be strengthened, since 76.1 % of the Group's investments will be made in this division.

Achievement of goals in the year 2010



The highest (9.7 %) growth in sales revenue has been planned in the Ecology, Energy and Services Division, which will be achieved by a larger sales volume of services from the field of energy. The largest division (Household Appliances) being the largest in terms of revenue will grow at a 6.6 % rate and the sale of cooking and cooling-freezing appliances will increase, but the scope of washing - dish washing appliances will remain at the level of the year 2009. The strongest penetration of the Home Interior Division into the South-Eastern European markets will most probably reflect in a 5.2 % growth in revenue.

Budgeted business performance of the Gorenje Group in 2010

	Plan 2010	2009	Change 2010/2009
Sales revenue	1,244,037	1,185,937	4.9%
EBITDA	97,764	68,199	43.4%
Net profit or loss	10,086	-12,232	-
CAPEX	28,795	28,732	0.2 %
Free cash flow	24,477	33,022	-25.9%

Source: Data of the Gorenje Group

The trend of reducing loans and borrowings will continue also in the year 2010. Loans and borrowings lower by 16.8 million EUR are budgeted at the end of the financial year 2010 when compared to the year 2009. This reduction will be a result of a positive free cash flow of the Group from ordinary activities. Restructuring of the received financial sources relating their maturity will continue. A share of long-term sources will amount to 54.7 % at the end of the year 2010.

Financial statements of Gorenje Group according to IFRS as adopted by the EU

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement of the Gorenje Group

in TEUR	Notes	2009	2008
Revenue	**13**	**1,185,937**	**1,330,753**
Changes in inventories		-12,119	6,318
Other operating income	14	33,254	26,341
Gross profit		**1,207,072**	**1,363,412**
Cost of goods, materials and services	15	-901,146	-1,023,864
Employee benefits expense	16	-219,323	-226,487
Amortisation and depreciation expense	17	-56,050	-57,121
Other operating expenses	18	-18,404	-19,047
Results from operating activities		**12,149**	**36,893**
Finance income	19	19,516	19,603
Finance expenses	19	-40,973	-41,023
Net finance expense	19	-21,457	-21,420
Profit or loss before income tax		**-9,308**	**15,473**
Income tax expense	20	-2,924	-5,292
Profit or loss for the period		**-12,232**	**10,181**
Attributable to minority interest		-728	1,309
Attributable to equity holders of the parent		-11,504	8,872
Basic and diluted earnings per share (in EUR)	32	-0.83	0.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Statement of Comprehensive Income of the Gorenje Group

in TEUR	Notes	2009	2008
Net profit or loss for the period		**-12,232**	**10,181**
Other comprehensive income			
Change in fair value of land	22	-4	9,243
Net change in fair value of available-for-sale financial assets		-878	-3,883
Net change in fair value of available-for-sale financial assets transferred to profit or loss	19	-3,097	-2,288
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge		597	-8,576
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	19	-1,611	-84
Income tax on other comprehensive income	25	2,663	-1,164
Translation reserve		-2,903	5,767
Other comprehensive income for the period		**-5,233**	**-985**
Total comprehensive income for the period		**-17,465**	**9,196**
Attributable to equity holders of the parent		-16,737	7,887
Attributable to minority interest		-728	1,309

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Statement of Financial Position of the Gorenje Group

in TEUR	Notes	2009	2008
ASSETS		**1,178,677**	**1,257,732**
Non-current assets		**574,307**	**606,027**
Intangible assets	21	161,560	162,986
Property, plant and equipment	22	382,801	412,953
Investment property	23	7,802	7,090
Non-current investment	24	6,614	12,721
Deferred tax assets	25	15,530	10,277
Current assets		**604,370**	**651,705**
Assets classified as held for sale		1,137	954
Inventories	26	217,981	253,004
Current investments	27	68,218	64,470
Trade receivables	28	251,740	262,017
Other current assets	29	35,796	43,866
Current tax assets		2,368	3,279
Cash and cash equivalents	30	27,130	24,115
EQUITY AND LIABILITIES		**1,178,677**	**1,257,732**
Equity	**31**	**369,644**	**394,522**
Share capital		58,546	58,546
Capital surplus (share premium)		158,487	158,487
Legal and statutory reserves		21,697	21,697
Retained earnings		97,788	110,324
Own shares		-3,170	-3,170
Translation reserve		17,405	20,308
Fair value reserve		12,822	15,087
Equity attributable to equity holders of the parent		**363,575**	**381,279**
Minority interest		**6,069**	**13,243**
Non-current liabilities		**311,313**	**294,893**
Provisions	33	62,158	55,366
Provisions created from government grants	34	1,211	8,936
Deferred tax liabilities	25	5,585	6,472
Non-current financial liabilities	35	242,359	224,119
Current liabilities		**497,720**	**568,317**
Current financial liabilities	36	209,883	263,676
Trade payables	37	196,296	223,660
Other current liabilities	38	87,260	79,164
Current tax liabilities		4,281	1,817

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows of the Gorenje Group

	in TEUR	Notes	2009	2008
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
	Profit for the period		**-12,232**	**10,181**
	Adjustments for:			
	- Depreciation of property, plant and equipment	22	50,061	51,900
	- Amortisation of intangible assets	21	5,989	5,221
	- Investment income	19	-19,516	-19,603
	- Finance expenses	19	40,973	41,023
	- Gain on sale of property, plant and equipment	14	-416	-1,807
	- Gain from revaluation of investment property	14	0	-2,566
	- Income tax expense	20	2,924	5,292
	Operating profit before changes in net operating current assets and provisions		**67,783**	**89,641**
	Change in trade and other receivables		6,579	-17,336
	Change in inventories		35,023	-35,533
	Change in provisions		-933	3,932
	Change in trade and other liabilities		-19,267	31,017
	Cash generated from operations		**21,402**	**-17,920**
	Interest paid		-21,223	-26,019
	Income taxes paid		-2,385	-6,786
	Net cash from operating activities		**65,577**	**38,916**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Proceeds from sale of property, plant and equipment		1,517	2,398
	Proceeds from sale of investments		5,598	6,208
	Interest received		4,153	7,208
	Dividends received		373	1,048
	Disposal of subsidiary, net of cash disposed		263	641
	Acquisition of subsidiary, net of cash acquired		0	-95,011
	Acquisition of property, plant and equipment		-24,198	-71,289
	Available-for-sale investments		3,958	-1,403
	Loans		3,824	-30,570
	Acquisition of other investments		-10,412	-5,050
	Acquisition of intangible assets		-4,534	-5,518
	Net cash used in investing activities		**-19,458**	**-191,338**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Repurchase of minority interest		-7,551	0
	Repurchase of own shares and interests		0	-112
	Borrowings / Repayment of borrowings		-35,553	164,875
	Dividends and premiums paid		0	-5,910
	Net cash used in financing activities		**-43,104**	**158,853**
	Net increase in cash and cash equivalents		3,015	6,431
	Cash and cash equivalents at beginning of period		24,115	17,684
	Cash and cash equivalents at end of period		27,130	24,115

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity of the Gorenje Group

in TEUR	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance at 1 Jan 2009	**58,546**	**158,487**	**21,697**	**110,324**	**-3,170**	**20,308**	**15,087**	**381,279**	**13,243**	**394,522**
Total comprehensive income for the period										
Net profit or loss for the period				-11,504				-11,504	-728	-12,232
Total other comprehensive income						-2,903	-2,330	-5,233		-5,233
Total comprehensive income for the period	**0**	**0**	**0**	**-11,504**	**0**	**-2,903**	**-2,330**	**-16,737**	**-728**	**-17,465**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Payment of dividends										
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interests				-1,032			65	-967	-6,446	-7,413
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**-1,032**	**0**	**0**	**65**	**-967**	**-6,446**	**-7,413**
Total transactions with owners	**0**	**0**	**0**	**-1,032**	**0**	**0**	**65**	**-967**	**-6,446**	**-7,413**
Closing balance at 31 December 2009	**58,546**	**158,487**	**21,697**	**97,788**	**-3,170**	**17,405**	**12,822**	**363,575**	**6,069**	**369,644**

in TEUR	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance at 1 Jan 2008	**58,546**	**143,714**	**45,034**	**84,025**	**-27,693**	**14,541**	**21,960**	**340,127**	**10,858**	**350,985**
Total comprehensive income for the period										
Net profit or loss for the period				8,872				8,872	1,309	10,181
Total other comprehensive income						5,767	-6,752	-985		-985
Total comprehensive income for the period				**8,872**		**5,767**	**-6,752**	**7,887**	**1,309**	**9,196**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Creation of reserve for own shares			112	-112	-112			-112		-112
Creation of statutory reserves			1,186	-1,186				0		0
Payment of dividends				-5,781				-5,781		-5,781
Remuneration to the Supervisory Board members in line with the resolution of the Shareholders' Meeting				-129				-129		-129
Disposal of own shares		14,773			24,635			39,408		39,408
Reversal of reserve for own shares			-24,635	24,635				0		0
Total contributions by owners and distributions to owners	**0**	**14,773**	**-23,337**	**17,427**	**24,523**	**0**	**0**	**33,386**	**0**	**33,386**
Changes in ownership interests in subsidiaries that do not result in a loss of control.										
Acquisition of non-controlling interests							-121	-121	1,076	955
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**-121**	**-121**	**1,076**	**955**
Total transactions with owners	**0**	**14,773**	**-23,337**	**17,427**	**24,523**	**0**	**-121**	**33,265**	**1,076**	**34,341**
Closing balance at 31 December 2008	**58,546**	**158,487**	**21,697**	**110,324**	**-3,170**	**20,308**	**15,087**	**381,279**	**13,243**	**394,522**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP - 1. REPORTING ENTITY

Gorenje, d.d. is a company domiciled in Slovenia. The address of the Company's registered office is Partizanska 12, 3503 Velenje.

The consolidated financial statements of Gorenje, d.d. at and for the year ended 31 December 2009 comprise the parent company and its subsidiaries (together referred to as the "Group"), and the Group's interests in jointly controlled entities. The Group is mainly engaged in the production and sale of household appliances.

GROUP - 2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in EU, and provisions of the Companies Act.

The financial statements were approved by the Management Board of Gorenje, d.d. on 29 March 2010.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items which are measured at fair value:

- derivative financial instruments
- available-for-sale financial assets
- land
- investment property

The methods used to measure fair values are discussed further in note 4.

c) Functional and presentation currency

These financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes below:

Note 10, 11 - acquisition and disposal of companies

Note 33 and accounting policy 3(l)(iv) - measurement of liabilities for retirement benefits and jubilee premiums

Note 33 - provisions for litigations

Note 33 and accounting policy 3 (l)(i) - provisions for warranties

Note 40 and accounting policy 3 (i)(i) - valuation of financial instruments, including receivables

e) Changes in accounting policies

(i) Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- accounting for business combinations
- accounting for acquisitions of non-controlling interests
- accounting for borrowing costs
- determination and presentation of operating segments
- presentation of financial statements

(ii) Accounting for business combinations

The Group applies the provisions of IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for all business combinations occurring on or after 1 January 2009. The method of accounting for business combinations occurring on or after 1 January 2009 is the acquisition method. The change in accounting policy has been used as of the date of transition and has no material effect on earnings per share.

The acquisition method is used by the Group for business combinations.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group.

Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree’s employees (acquiree’s awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

(iii) Accounting for acquisitions of non-controlling interests

The Group has adopted early IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009. Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(iv) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 *Borrowing Costs* (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The Group has capitalised borrowing costs with respect to property, plant and equipment under construction (see note 3(d)(i)) and development costs (see note 3(e)(ii)).

(v) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows. Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(vi) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

GROUP - 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group companies.

a) Basis of consolidation

(i) Business combinations

The Group has changed its accounting policy with respect to accounting for business combinations. See note 2(e)(ii) for further details.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration the existence and effect of potential voting rights that currently are exercisable or exchangeable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

(iv) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, or a non-financial liability designated as a hedge.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Since the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

c) Financial instruments

(i) Non-derivative financial instruments

The Group initially recognises bonds and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial instruments: liabilities and receivables and available-for-sale financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's current financial liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, including changes therein. Impairment losses (see note 3(i)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)) are recognised in profit or loss and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(i) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other derivative financial instruments (Other non-trading derivatives)

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to retained earnings and/or share premium.

Dividends are recognised under liabilities in the period in which the resolution of the Shareholders' Meeting on payment of dividends is adopted.

d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment were capitalised subject to the following conditions: if the value of qualifying asset in total sales exceeded 5%, and if the duration of construction exceeded 6 months.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Fair value model or revaluation model is applied to land. The effect of revaluation is recorded in other comprehensive income. Impairment of land previously increased in value results in a decrease in revaluation surplus in other comprehensive income; otherwise, it is recognised in the income statement. The revaluation of land is based on the appraisal report prepared by an independent appraiser. Each year, the Group is testing land for impairment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment and measured at cost until construction of development is completed, at which time it is reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss.

(iii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All others costs, such as day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

•	Buildings	20 - 50 years
•	Plant and equipment	5 - 10 years
•	Computer equipment	2 - 5 years
•	Transportation means	3 - 10 years
•	Office equipment	3 - 10 years
•	Tools	3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Acquisitions made after the IFRS transition date

In the acquisitions made on or after 1 January 2006, goodwill is recognised as the excess and/or the difference between the cost of acquisition and the Group's share of net fair value of identified assets, liabilities and contingent liabilities of the acquiree. If the difference is negative (negative goodwill), it is recognised directly in profit or loss.

Acquisition of minority interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders, therefore no goodwill is recognised as a result of such transactions. All differences are recognised in equity.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment loss.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs (see note 2(e)(iv)).

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Intangible assets with infinite useful lives (trademarks) are tested for impairment once a year. Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

•	Patents and trademarks	5 - 10 years
•	Recognised development costs	5 - 10 years

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value (see note 4(iii)), with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. Leased assets are not recognised in the Group's statement of financial position.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average price method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Impairment losses on receivables are recognised in accordance with the item by item principle where bankruptcy procedures or compulsory compositions have been initiated, or on the basis of disputability or doubtfulness of receivables.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for warranties is reduced directly by costs for which it has been created. It means that such costs are no longer recorded in the income statement. At the end of the period for which provisions have been created, the unused portion of provisions is transferred to other operating income.

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(iv) Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements, the collective agreement, and the internal regulations, the Group is to pay to its employees jubilee premiums and retirement benefits. For these obligations, long-term provisions are created. Other retirement obligations do not exist.

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The selected annual discount rate is 5.40%, which is the rate of return on 10-year entrepreneurial bonds in euro area. The calculation has been performed by a certified actuary using the projected unit method.

m) Revenue

(i) Revenue from the sale of products, merchandise and materials

Revenue from the sale of products, merchandise and materials in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The transfer of risks and rewards varies depending on the individual terms of the contract of sale. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

n) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

o) Finance income and finance expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, exchange gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, foreign exchange losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest rate method, except for those that are directly attributable to cost of assets under construction.

p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill when it is not a deductible expense, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

r) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares, which is equivalent to diluted earnings per share data, as the Group has not issued any preference shares or convertible bonds. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

s) Comparative information

Comparative information has been harmonised with the presentation of information in the current year. Where required, adjustment of comparative information has been carried out in order to comply with the presentation of information in the current year.

t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2(e)(v)).

An operating segment is an identifiable component of the Group engaged in products or services (business segment) or in products and services in a special economic environment (geographical segment). It is subject to risks and yields different from those in other segments. Information by segment is disclosed by business segment and geographical segment of the Group. Segment reporting of the Group is based on business segments. Business segments of the Group are based on the management of the Group and its internal structure of reporting.

The transfer prices between segments satisfy the arm's length principle.

Operating results, assets and liability by segment include items directly attributable to a segment as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (except investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

u) New standards and interpretations not yet adopted

Other than those adopted early as explained in note 2(e), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements of the Group. None of these will have an effect on the consolidated financial statements of the Group, except for *Eligible Hedged Items - Amendment to IAS 39 Financial Instruments: Recognition and Measurement*, which clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, is not expected to have a significant impact on the consolidated financial statements.

GROUP - SUPPLEMENTS TO IAS

Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009)

The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:

- All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration.
- Subsequent change in contingent consideration will be recognized in profit or loss.
- Transaction costs, other than share and debt issuance costs, will be expensed as incurred.

The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on the financial statements with respect to business combinations that occur before the date of adoption of the revised Standard.

Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

In the revised Standard the term minority interest has been replaced by non-controlling interest, and is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised Standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.

The Group has not yet completed its analysis of the impact of the revised Standard.

Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (effective for annual period beginning on or after 1 February 2010)

The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Group's consolidated financial statements as the Group has not issued such instruments at any time in the past.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2010)

The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.

The Group has not yet completed its analysis of the impact of the amendment to the Standard.

IFRIC 12 Service Concession Arrangements (effective for first annual reporting period beginning on or after 1 April 2009)

The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

IFRIC 12 is not relevant to the Group's operations as none of the Group companies has entered into any service concession arrangements.

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2010)

IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:

1. the agreement meets the definition of a construction contract in accordance with IAS 11.3;

2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and

3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).

IFRIC 15 is not relevant to the Group's consolidated financial statements as the Group does not provide real estate construction services or develop real estate for sale.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009)

The Interpretation explains the type of exposure that may be hedged, where in the Group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.

The Group has not yet completed its analysis of the impact of the new Interpretation.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 1 November 2009)

The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled, the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders, it is not possible to determine the effects of application in advance.

IFRIC 18 Transfers of Assets from Customers (effective prospectively for annual period beginning on or after 1 November 2009)

The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the transferred item meets the criteria for property, plant, and equipment in IAS 16, *Property, Plant and Equipment.* The Interpretation also requires the entity to recognize the amount as revenue; the timing of revenue recognition depends on the facts and circumstances of the particular arrangement.

IFRIC 18 is not relevant to the Group's consolidated financial statements as the Group does not normally receive contributions from customers.

GROUP - 4. DETERMINATION OF FAIR VALUE

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The items of property, plant and equipment are measured at cost.

ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every five years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(iv) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables are not discounted due to maturity. Impairment loss to fair value is considered.

(vi) Derivatives

The fair value of derivatives is estimated as the present value of estimated future cash flows, taking into account the market value of equivalent derivatives at the reporting date and using market interest rates for similar derivatives at the reporting date.

The fair value of financial instruments is determined on the basis of data provided by Reuters. The decisive values are those of the opposite forward exchange transactions with equal maturities effective at the reporting date. The fair value of forward exchange transactions at the reporting date is the difference between the value of actually concluded forward exchange transactions and the value of opposite forward exchange transactions at the reporting date, taking into consideration equal maturities of the individual forward exchange transactions.

Interest rate swaps are used to hedge against fluctuations in the variable interest rate EURIBOR. Decisive are the values of interest transactions with equal maturities effective at the date of the statement of financial position. The fair value of interest rate swaps at the date of the statement of financial position is the discounted difference between the cash flow for interest under the interest rate swap contracts and the cash flow for interest under equivalent interest rate swap contracts at the date of the statement of financial position.

(vii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Loans and borrowings are measured, on the basis of recalculation, at effective interest rates that insignificantly differ from the contractual interest rates. Therefore the contractual interest rate is used in calculations.

GROUP - 5. FINANCIAL RISK MANAGEMENT

In respect of financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2009. The objectives of risk management are:

- to achieve stability of operations and to reduce risk exposure to an acceptable level,
- to increase the value of companies and the impact on their financial standing,
- to increase financial income and/or to decrease financial expenses, and
- to nullify and/or decrease the effects of exceptionally damaging events.

In the Gorenje Group, the following key financial risks have been defined:

Financial risk	• Credit risk
	• Currency risk
	• Interest rate risk
	• Liquidity risk

The exposure to each of the above risks and the hedge measures to be applied are judged and implemented on the basis of their effects on the cash flows. To hedge against financial risks in the course of ordinary business activities, relevant hedging activities have been conducted in the area of operating, investing and financing activities.

In the light of the strained macroeconomic situation, more attention was paid in 2009 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Group. The credit risk was managed by application of the following sets of measures:

- insurance of a major portion of operating receivables against credit risk with Slovenska izvozna družba - Prva kreditna zavarovalnica, d.d., and other insurance companies;
- additional collateralisation of more risky trade receivables by bank guarantees and other security instruments;
- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to certain business partners;
- implementation of mutual and chain compensation with buyers;
- systematic and active control of credit limits and collection of receivables.

Taking into account the above mentioned hedge measures, the Gorenje Group's management estimates that the exposure to credit risk has increased.

With regard to the geographic diversification of its operations, the Gorenje Group is strongly exposed to currency risk, which is the risk that the economic benefits of an entity may be decreased due to changes in foreign exchange rates. When assessing the risks, balance sheet exposure has been considered. The currency risk mainly results from the performance of business activities in the markets of Serbia, Great Britain, Czech Republic, Slovakia, Poland, Hungary, Croatia, Turkey and the US dollar markets. A greater attention was paid to natural hedging of currency risks and harmonisation of business operations to ensure long-term decrease in currency fluctuation exposure by matching or netting sales and purchases. Additional short-term hedging is carried out by currency future contracts and short-term borrowings in local currencies. Irrespective of measures taken to hedge against currency risk, the Gorenje Group’s management estimates that, due to significant macroeconomic changes and oscillations in particular in the East European countries, the exposure to currency risk has increased.

In the last few years, great attention was paid to interest rate risk, which is the risk that the economic benefits of the Group may be decreased due to changes in interest rates in the market. In 2009 the volume of hedging against interest rate risk was decreased over the previous year’s figure, so that the share of fixed interest rates and derivatives hedging against interest rate risk amounted to 47.5 percent of the Gorenje Group’s lending portfolio. The Gorenje Group’s management estimates that the exposure to interest rate risk has increased.

Liquidity riskis the risk that the Group will fail to meet commitments in stipulated period of time due to the lack of available funds.

Borrowings in the amount of TEUR 191,000 mature in 2010. For this reason, the Group has been negotiating debt rescheduling agreements with the banks and has been decreasing its debt rescheduling risk. The liquidity reserve as at 31 December 2009 in the amount of TEUR 162,669, which consists of unused revolving credit lines, short-term deposits with banks, and cash in banks, is used to ensure adequate short-term control of cash flows and to decrease short-term liquidity risk.

Short-term liquidity riskis estimated to have increased even though of cash management, adequate available credit lines for short-term control of cash flows, a high degree of financial flexibility, and a good access to financial markets and funds. The reason for an increase in short-term liquidity risk is a decrease in availability of sources of funds from business partners, both buyers and sellers.

Long-term liquidity risk is estimated as being moderate due to efficient operations, effective cash management, sustainable ability to generate cash flows from operating activities, and an adequate capital structure.

The Gorenje Group's management estimates that the exposure to liquidity risk is moderate.

Capital management

The Group's policy is to maintain a strong capital base so as to ensure stakeholders’ confidence and to sustain future development of the Gorenje Group. As one of the strategic ratios, the Group defines the return on capital as net profit for the period attributable to majority shareholders divided by average shareholders' equity, excluding minority interests. The Group seeks to maintain a balance between the higher returns, which are rendered possible by a higher level of borrowings, and the advantages and security ensured by a strong capital structure. The Group's objective in the 2010-2013 Strategic Plan is to achieve a 11.8 percent rate of return on invested capital.

The dividend policy is based on the investment plans, optimum capital structure policy, and shareholders' expectations and interests. The amount of dividend per share is proposed by the Management Board and the Supervisory Board of the controlling company. Dividends are paid from the accumulated profit of the controlling company determined in accordance with the relevant regulations in Slovenia. The resolution on the appropriation of accumulated profit is adopted by the Shareholders' Meeting.

The Gorenje Group has no employee share-owning scheme and no share option programme. There were no changes in the approach to capital management in 2009. Neither the controlling company nor its subsidiaries were subject to capital requirements determined by the regulatory authorities.

There are no provisions in the Articles of Incorporation that would invalidate the proportionality of rights arising from shares, such as the rights of minority shareholders or the limitation of voting rights, and there are no resolutions adopted on conditionally increased capital.

GROUP - 6. SEGMENT REPORTING

Business segments

The Group comprises the following key business segments:

(i) Home appliances business segment

Home appliances: the manufacture and sale of household appliances of own manufacture, the sale of household appliance of other producers (complementary programme), the sale of products from the supplementary programme outside of the three main programmes of large household appliances, the manufacture and sale of heating appliances of own manufacture, tool manufacture, machine construction, and manufacture of mechanical components.

(ii) Home interior business segment

Home interior: the manufacture and sale of kitchen furniture, bathroom furniture, sanitary fixtures and fittings, and ceramic tiles.

(iii) Ecology, energy and services business segment

Ecology, energy and services: Ecology and energy, trade, engineering, representation, catering, tourism, and real estate management.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets. The Group comprises the following main geographical segments:

West: Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Great Britain, Greece, Norway, Turkey, The Netherlands, Spain, Switzerland,

East: Ukraine, Russia, Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldavia, Kazakhstan, Latvia, Lithuania, Estonia, Slovenia, Czech Republic, Hungary, Poland, Bulgaria, Romania, Slovak Republic, Albania,

Other: other countries.

GROUP - 7. STATEMENT OF CASH FLOWS

The statement of cash flows has been compiled under the indirect method on the basis of the items in the statement of financial position as at 31 December 2009, the statement of financial position as at 31 December 2008, the income statement for the year ended 31 December 2009, and the additional information required for the adjustment of inflows and outflows.

GROUP - 8. COMPOSITION OF THE GORENJE GROUP

Pursuant to International Financial Reporting Standards (IFRSs) as adopted by EU, the consolidated financial statements of the Gorenje Group comprise the financial statements of the holding company Gorenje, d.d., the financial statements of 66 subsidiaries, and the financial statements of 22 jointly controlled companies:

Companies operating in Slovenia		Equity interest in %	
		31 Dec 2009	31 Dec 2008
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	100.00
2.	Gorenje Tiki, d.o.o., Ljubljana	99.982	99.982
3.	Gorenje GTI, d.o.o., Velenje	100.00	100.00
4.	Gorenje Notranja oprema, d.o.o., Velenje	99.98	99.98
5.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	100.00
6.	ENERGYGOR, d.o.o., Velenje	100.00	100.00
7.	KEMIS, d.o.o., Vrhnika	100.00	100.00
8.	Gorenje Orodjarna, d.o.o., Velenje	100.00	100.00
9.	ZEOS, d.o.o., Ljubljana	51.00	51.00
10.	ISTRABENZ GORENJE, d.o.o., Nova Gorica	49.344	49.344
11.	GEN-I, d.o.o., Krško	24.67	24.67
12.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	49.344	49.344
13.	SUROVINA, d.d., Maribor	78.29	51.00
14.	Indop, d.o.o., Šoštanj	100.00	100.00
15.	ERICo, d.o.o., Velenje	51.00	51.00
16.	Istrabenz Gorenje inženiring, d.o.o., Ljubljana	49.344	49.344
17.	Gorenje Projekt, d.o.o., Ljubljana	100.00	100.00
18.	Gorenje design studio, d.o.o., Velenje	52.00	52.00
19.	PUBLICUS, d.o.o., Ljubljana	51.00	51.00
20.	IG AP, d.o.o., Kisovec	49.344	49.344
21.	IGP, d.o.o., Trbovlje	24.67	–
22.	VITALES Nova Gorica, d.o.o.	49.344	–

Companies operating abroad		Equity interest in %	
		31 Dec 2009	31 Dec 2008
23.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	100.00
24.	Gorenje Austria Handelsgesellchaft m.b.H., Austria	100.00	100.00
25.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	100.00
26.	Gorenje Körting Italia S.r.l., Italy	100.00	100.00
27.	Gorenje France S.A.S., France	100.00	100.00
28.	Gorenje BELUX S.a.r.l., Belgium	100.00	100.00
29.	Gorenje Espana, S.L., Spain	100.00	100.00
30.	Gorenje UK Ltd., Great Britain	100.00	100.00
31.	Gorenje Skandinavien A/S, Denmark	100.00	100.00
32.	Gorenje AB, Sweden	100.00	100.00
33.	Gorenje OY, Finland	100.00	100.00
34.	Gorenje AS, Norway	100.00	100.00
35.	OÜ Gorenje, Estonia	100.00	100.00
36.	SIA Gorenje, Latvia	100.00	100.00
37.	Gorenje spol. s r.o., Czech Republic	100.00	100.00
38.	Gorenje real spol. s r.o., Czech Republic	100.00	100.00
39.	Gorenje Slovakia s.r.o., Slovak Republic	100.00	100.00
40.	Gorenje Budapest Kft., Hungary	100.00	100.00
41.	Gorenje Polska Sp. z o.o., Poland	100.00	100.00
42.	Gorenje Bulgaria EOOD, Bulgaria	100.00	100.00
43.	Gorenje Zagreb, d.o.o., Croatia	100.00	100.00
44.	Gorenje Skopje, d.o.o., Macedonia	100.00	100.00
45.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	100.00
46.	Gorenje, d.o.o., Serbia	100.00	100.00
47.	Gorenje Podgorica , d.o.o., Montenegro	99.972	99.972
48.	Gorenje Romania S.R.L., Rumania	100.00	100.00
49.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	100.00
50.	Mora Moravia s r.o., Czech Republic	100.00	100.00
51.	Gorenje - kuchyně spol. s r.o., Czech Republic	99.98	99.98
52.	Kemis -Termoclean, d.o.o., Croatia	100.00	100.00
53.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	100.00
54.	Gorenje Invest, d.o.o., Serbia	100.00	100.00
55.	Gorenje Gulf FZE, United Arab Emirates	100.00	100.00
56.	Gorenje Tiki, d.o.o., Serbia	99.982	99.982
57.	GEN-I Zagreb, d.o.o., Croatia	24.67	24.67
58.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.17	25.17
59.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	49.344	49.344
60.	Gorenje Istanbul Ltd., Turkey	100.00	100.00
61.	Sirovina d.o.o., Bačka Palanka in liquidation, Serbia	78.29	51.00
62.	Gorenje TOV, Ukraine	100.00	100.00
63.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	24.67	24.67
64.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.67	/
65.	GEN-I, d.o.o, Serbia	24.67	24.67
66.	ST Bana Nekretnine, d.o.o., Serbia	100.00	100.00
67.	GEN-I Budapest, Kft., Hungary	24.67	24.67
68.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	100.00
69.	ATAG Europe BV, The Netherlands	100.00	100.00
70.	ATAG Nederland BV, The Netherlands	100.00	100.00
71.	ATAG België NV, Belgium	100.00	100.00
72.	ATAG Financiele Diensten BV, The Netherlands	100.00	100.00
73.	ATAG Financial Solutions BV, The Netherlands	100.00	100.00
74.	Intell Properties BV, The Netherlands	100.00	100.00
75.	ATAG Special Product BV, The Netherlands	100.00	100.00
76.	Gorenje Nederland B.V., The Netherlands	100.00	100.00
77.	Gorenje Kazakhstan, TOO, Kazahstan	100.00	100.00
78.	Gorenje kuhinje, d.o.o., Ukraine	69.986	69.986
79.	OOO Gorenje BT, Russia	100.00	–
80.	GEN-I d.o.o. Sarajevo , Bosnia and Herzegovina	24.67	–
81.	GEN-I DOOEL Skopje, Macedonia	24.67	–
82.	GEN-I Athens SMLLC, Greece	24.67	–

83.	GEN-I Tirana Sh.p.k., Albania	24.67	–
84.	S.C. GEN-I Bucharest, Rumania	24.67	–
85.	"Euro Lumi & Surovina" SH.P.K., Kosovo	39.93	–
86.	Vitales Energie Biomasse S.R.L., Italy	25.17	–
87.	Vitales Čakovec, d.o.o., Croatia	49.344	–
88.	Vitales inženjering d.o.o., Prijedor, Bosnia and Herzegovina	24.67	–

GROUP - 9. MINORITY INTEREST

Minority interests as at 31 December 2009:

	2009			2008		
	Equity interest in %	Minority interest in TEUR	Share in net profit or loss in TEUR	Equity interest in %	Minority interest in TEUR	Share in net profit or loss in TEUR
Gorenje Tiki d.o.o., Ljubljana	0.018	3	0	0.018	3	0
Gorenje Tiki, d.o.o., Serbia	0.018	2	0	0.018	2	0
Gorenje Podgorica, d.o.o., Montenegro	0.028	1	0	0.028	1	0
Gorenje Notranja oprema, d.o.o., Velenje	0.020	3	-1	0.020	4	0
Gorenje Küchen GmbH, Austria	-	-	-	0.020	0	0
Gorenje kuchyne spol. s r.o., Czech Republic	0.020	0	0	0.020	0	0
ZEOS, d.o.o., Ljubljana	49.000	343	15	49.000	327	14
SUROVINA, d.d., Maribor	21.710	4,562	-629	49.000	11,711	1,539
»Euro Lumi & Surovina« SH.P.K., Kosovo	60.070	240	-20	-	-	-
Sirovina, a.d., Serbia	21.710	-99	-61	49.000	41	1
ERICo, d.o.o., Velenje	49.000	552	42	49.000	510	74
Gorenje Kuhinje, d.o.o., Kiew	30.014	97	-39	30.014	244	-111
PUBLICUS, d.o.o., Ljubljana	49.000	180	26	49.000	153	-214
Gorenje design studio, d.o.o., Velenje	48.000	185	-61	48.000	247	6
Total		**6,069**	**-728**		**13,243**	**1,309**

The ownership transfer between the Gorenje Group companies did not have any impact on the consolidated financial statements of the Gorenje Group, because the intra-group transactions were eliminated in the consolidation process.

GROUP - 10. ACQUISITION OF NON-CONTROLLING INTEREST

In 2009, the Group acquired an additional 27.29 % interest in Surovina d.d., for which the amount of TEUR 7,554 was paid. Thus, the ownership interest increased from 51 % to 78.29 %. Net assets of Surovina d.d. amounted to TEUR 21,014 as at the date of acquisition. The Group recognised a decrease in the minority interest in the amount of TEUR 6,522 and a decrease in retained earnings in the amount of TEUR 1,032.

in TEUR	2009
Controlling interest at the period's beginning	12,189
Effect of increase in the controlling interest	6,522
Share in comprehensive income	-2,259
Controlling interest at the period's end	16,452

GROUP - 11. DISPOSAL OF COMPANIES

The disposal of LINEA SP, d.o.o., Velenje had the following effect on the Group's assets and liabilities:

in TEUR	2009
Property, plant and equipment	-31
Investment property	0
Investments	-688
Operating receivables	-617
Cash	-22
Operating liabilities	1,090
Net difference (assets – liabilities)	**-268**
Contractual purchase price	-400
Payments received in 2009	-285
Cash	22
Net inflow	**-263**

GROUP - 12. JOINT VENTURES

The Group holds a proportionate 49.344 percent share in Istrabenz Gorenje energetski sistemi, d.o.o., Nova Gorica and its subsidiaries. The Group and the holding company Istrabenz, d.d. hold an equivalent share in the company.

The proportionate shares of assets, liabilities, revenue and expenses are included in the consolidated financial statements.

GROUP - 12. JOINT VENTURES

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The proportionate shares of assets, liabilities, revenue and expenses are included in the consolidated financial statements.

Proportionate shares of assets, liabilities, revenue and expenses included in the 2009 consolidated financial statements:

in TEUR

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax	Net profit or loss
Istrabenz Gorenje, d.o.o., Nova Gorica	10,952	5,356	-8,809	-7,499	9,529	-8,510	1	1,020
GEN-I, d.o.o., Krško	667	14,133	-5,750	-9,050	106,897	-104,014	-446	2,437
Intrade energija, d.o.o., Sarajevo	2,445	50	-2,299	-196	270	-393	0	-123
Vitales, d.o.o., Nova Bila	5,137	410	-2,792	-2,755	1,650	-2,603	0	-953
Istrabenz investicijski inženiring, d.o.o., Nova Gorica	6,496	630	-6,070	-1,056	338	-334	-1	3
Istrabenz Gorenje inženiring, d.o.o., Ljubljana	197	227	-77	-347	645	-784	21	-118
GEN – I Zagreb, d.o.o.	0	1,662	-140	-1,522	6,301	-6,226	-15	60
GEN – I, d.o.o., Beograd	7	4,891	-1,533	-3,365	21,881	-20,396	-134	1,351
Vitales, d.o.o., Bihać	1,388	139	-1,031	-496	320	-561	0	-241
GEN – I Budapest, Kft.	0	4,894	-587	-4,307	31,881	-31,514	-103	264
GEN-I d.o.o. Sarajevo	0	1,652	-143	-1,509	4,418	-4,399	-2	17
GEN-I DOOEL Skopje	0	641	-300	-341	1,861	-1,550	0	311
GEN-I Athens SMLLC	0	463	-61	-402	1,305	-1,273	-8	24
GEN-I Tirana Sh.p.k	1	8	-1	-8	0	-10	0	-10
S.C. GEN-I Bucharest	0	193	-121	-72	192	-193	0	-1
Vitales, d.o.o., Sokolac	0	30	-1	-29	0	-2	0	-2
Vitales Čakovec d.o.o.	0	1	-1	0	0	0	0	0
Vitales inženjering d.o.o. Prijedor	0	13	-13	0	0	0	0	0
Vitales Energie Biomasse S.R.L.	1	1	5	-7	0	-8	0	-8
IGP, d.o.o., Trbovlje	3	52	-14	-41	208	-202	-1	5
VITALES Nova Gorica, d.o.o.	0	7	-7	0	0	-1	0	-1
IG AP, d.o.o., Kisovec	259	448	-160	-547	371	-646	53	-222

Proportionate shares of assets, liabilities, revenue and expenses included in the 2008 consolidated financial statements:

in TEUR

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Expenses	Income tax	Net profit or loss
Istrabenz Gorenje, d.o.o., Nova Gorica	8,817	3,939	-20	-6,739	8,097	-7,015	-6	1,076
GEN-I, d.o.o., Krško	440	18,638	-11	-15,751	79,295	-77,622	-386	1,287
Intrade energija, d.o.o., Sarajevo	2,514	55	-2,470	-738	235	-429	0	-194
Vitales, d.o.o., Nova Bila	5,307	404	-3,098	-2,204	1,036	-1,440	0	-404
Istrabenz investicijski inženiring, d.o.o., Nova Gorica	6,746	224	-5,560	-625	533	-467	-15	51
Istrabenz Gorenje inženiring, d.o.o., Ljubljana	181	184	-27	-159	584	-1,127	110	-433
GEN – I Zagreb, d.o.o.	0	2,223	0	-2,193	4,610	-4,582	-6	22
GEN – I, d.o.o., Beograd	0	6,207	0	-5,161	20,118	-19,102	-100	916
Vitales, d.o.o., Bihać	1,360	84	-1,210	-75	139	-133	0	6
GEN – I Budapest, Kft.	0	3,072	0	-2,752	11,002	-10,632	-73	297

GROUP - NOTES TO THE INCOME STATEMENT ITEMS

GROUP - REVENUE

Note 13 – Revenue 1,185,937 TEUR

in TEUR	2009	2008
Revenue from the sale of products and merchandise	1,105,809	1,259,264
Revenue from the sale of services	80,128	71,489
Total	**1,185,937**	**1,330,753**

GROUP - OTHER OPERATING INCOME

Note 14 – Other operating income 33,254 TEUR

in TEUR	2009	2008
Income from subsidies, grants and compensations	7,672	1,130
Rental income	1,153	930
Income from reversal of long-term provisions	1,905	4,452
Income from use of long-term provisions for government grants	10,725	2,951
Gains on disposal of property, plant and equipment	416	1,807
Income from revaluation of investment property	0	2,566
Negative goodwill	0	28
Other operating income	11,383	12,477
Total	**33,254**	**26,341**

Income from subsidies includes, as its major item, government subsidies in the amount of TEUR 5,488 to change-over to 32-hour working week in the holding company.

Income from use of long-term provisions for government grants in the amount of TEUR 10,725 relates to the Gorenje IPC, d.o.o., company employing disabled persons, in which government grants were used in line with the Vocational Rehabilitation and Employment of Disabled Persons Act.

Other operating income includes income from compensation for damages (TEUR 1,920), income from reversal of allowances for receivables (TEUR 701), income arising from the implementation of the Directive on Waste Electrical and Electronic (TEUR 1,741), and other operating income.

Rental income

in TEUR	2009	2008
Rental income – up to 1 year	1,153	930
Anticipated rental income – from 2 to 5 years	1,812	2,286
Total	**2,965**	**3,216**

GROUP - COST OF GOODS, MATERIALS AND SERVICES

Note 15 – Cost of goods, materials and services — 901,146 TEUR

in TEUR	2009	2008
Cost of merchandise sold	321,037	285,833
Cost of materials	389,231	531,752
Cost of services	190,878	206,279
Total	**901,146**	**1,023,864**

Cost of services includes cost of provisions for warranties in the amount of TEUR 23,835 (in 2008: TEUR 22,485).

GROUP - EMPLOYEE BENEFITS EXPENSE

Note 16 – Employee benefits expense — 219,323 TEUR

in TEUR	2009	2008
Wages and salaries	157,308	161,519
Social security contributions	33,160	36,232
Other employee benefits expense	28,855	28,736
Total	**219,323**	**226,487**

Other employee benefits expense includes cost of provisions for retirement benefits and jubilee premiums in the amount of TEUR 1,765 (in 2008: TEUR 1,674).

A portion of employee benefits expense (TEUR 3,000) was used to create provisions from government grants in Gorenje I.P.C., d.o.o., which has the status of a company employing disabled persons.

Other employee benefits expense mainly includes annual leave bonuses, meal allowances, commuting allowances, retirement benefits and jubilee premiums, in compliance with the national labour legislation and the companies' internal regulations.

Number of employees by division

	As at 31 December		Average	
	2009	2008	2009	2008
Household appliances division	8,771	9,306	8,977	9,384
Home interior division	963	1,076	991	1,134
Ecology, energy and services division	941	941	939	914
Total	**10,675**	**11,323**	**10,907**	**11,432**

GROUP - AMORTISATION AND DEPRECIATION EXPENSE

Note 17 – Amortisation and depreciation expense 56,050 TEUR

in TEUR	2009	2008
Amortisation of intangible assets	5,989	5,221
Depreciation of property, plant and equipment	50,061	51,900
Total	**56,050**	**57,121**

GROUP - OTHER OPERATING EXPENSES

Note 18 – Other operating expenses 18,404 TEUR

in TEUR	2009	2008
Write-down of inventories to realisable value	4,748	1,727
Disposal of assets	282	565
Other taxes and charges	3,272	3,687
Other expenses	10,102	13,068
Total	**18,404**	**19,047**

Other taxes and charges include charges for the use of building plot, water charge, environmental taxes, membership fees in mandatory associations, and other mandatory taxes and charges

Other expenses include expenditure on ecology, of which the majority under the Directive on Waste Electrical and Electronic Equipment, scholarships expense, and compensation in damages.

GROUP - NET FINANCE EXPENSES

Note 19 – Net finance expenses 21,457 TEUR

Finance income 19,516 TEUR

in TEUR	2009	2008
Dividend income from available-for-sale investments	373	1,048
Interest income	3,964	3,885
Income from interest rate swap transactions	1,252	2,048
Change in fair value of interest rate swap	0	327
Income from net exchange differences	2,372	0
Gain on disposal of companies	132	3,382
Gain on disposal of available-for-sale investments	3,168	4,066
Income from forward exchange transactions	4,274	1,285
Change in fair value of forward exchange transactions	0	2,821
Other finance income	3,981	741
Total	**19,516**	**19,603**

Finance expenses 40,973 TEUR

in TEUR	2009	2008
Interest expenses	20,137	25,296
Expense for interest rate swap transactions	1,096	0
Change in fair value of interest rate swap transactions	526	0
Expense for net foreign exchange differences	0	4,486
Expense for forward exchange transactions	740	1,267
Change in fair value of forward exchange transactions	3,507	0
Impairment loss on available-for-sale investments	2,308	5,012
Impairment loss on trade receivables	8,780	3,511
Impairment loss on loans	2,000	0
Other finance expenses	1,879	1,451
Total	**40,973**	**41,023**

Impairment loss on available-for-sale investments in the amount of TEUR 2,308 (in 2008: TEUR 5,012) relates to available-for-sale investments revalued to market value.

Finance expenses recognised directly in other comprehensive income (net)

in TEUR	2009	2008
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	2,659	-8,576
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	-1,611	-84
Net change in fair value of available-for-sale financial assets	-712	-2,947
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-2,746	-1,785
Foreign currency translation differences for foreign operations	-2,903	5,767
Finance expenses recognised in other comprehensive income	**-5,313**	**-7,625**
Finance expenses recognised in other comprehensive income attributable to equity holders of the Company	-5,313	-7,625
Finance expenses recognised in other comprehensive income attributable to minority interest	0	0

GROUP - INCOME TAX EXPENSE

Note 20 – Income tax expense 2,924 TEUR

Income tax expense is recorded by taking into account current tax liabilities, deferred tax assets, and deferred tax liabilities.

in TEUR	2009	2008
Current tax expense	5,759	5,752
Deferred tax expense	-2,835	-460
Total	**2,924**	**5,292**

Effective income tax rates

in TEUR	2009	2009	2008	2008
Profit or loss excluding income tax		**-9,308**		**15,473**
Income tax using the domestic tax rate	21.0 %	-1,955	22.0 %	3,404
Effect of tax rates in foreign jurisdictions	-2.6 %	242	3.1 %	472
Non-deductible expenses	-36.6 %	3,405	40.2 %	6,219
Tax exempt income	-9.4 %	873	-3.6 %	-555
Tax incentives	12.4 %	-1,152	-27.5 %	-4,248
Tax losses	-16.7 %	1,553		
Other differences	0.5 %	-42		
Income tax expense	**-31.4 %**	**2,924**	**34.2 %**	**5,292**

Deferred tax amounts recognised in other comprehensive income:

in TEUR		2009	
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-878	166	-712
Change in fair value of available-for-sale financial assets transferred to profit or loss	-3,097	351	-2,746
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	597	2,062	2,659
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	-1,611	0	-1,611
Change in fair value of land	-4	84	80
Foreign currency translation differences for foreign operations	-2,903		-2,903
Other comprehensive income	**-7,896**	**2,663**	**-5,233**

in TEUR	2008		
	Pre-tax amount	Tax	After-tax amount
Change in fair value of available-for-sale financial assets	-3,883	936	-2,947
Change in fair value of available-for-sale financial assets transferred to profit or loss	-2,288	503	-1,785
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-8,576	0	-8,576
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	-84	0	-84
Change in fair value of land	9,243	-2,603	6,640
Foreign currency translation differences for foreign operations	5,767		5,767
Other comprehensive income	**179**	**-1,164**	**-985**

GROUP - NOTES TO THE FINANCIAL POSITION ITEMS

GROUP - INTANGIBLE ASSETS

Note 21 – Intangible assets 161,560 TEUR

in TEUR	2009	2008
Long-term deferred development costs	12,492	14,054
Long-term industrial property rights	16,890	17,340
Trademark	61,964	61,964
Goodwill	69,358	69,358
Intangible assets under construction	856	270
Total	**161,560**	**162,986**

Intangible assets include, in a significant portion thereof, trademarks Atag, Etna and Pelgrim, deferred development costs, and software.

Goodwill in the amount of TEUR 62,130 and fair value of the trademarks Atag, Etna and Pelgrim in the amount of TEUR 61,964 were established in 2008 upon the acquisition of the company Atag Europe BV; in addition, goodwill was established in 2008 in the amount of TEUR 1.617 upon the acquisition of the majority interest in PUBLICUS, d.o.o. and in the amount of TEUR 705 upon the acquisition of a proportionate share in IG AP, d.o.o. Goodwill in the amount of TEUR 2,030 was established in 2007 upon the acquisition of the majority interest in Surovina, d.d.. Goodwill in the amount of TEUR 2,875 was established in 2005 upon the acquisition of Mora Moravia, s r. o. in the Czech Republic and Gorenje Invest, d.o.o. in Serbia.

Impairment testing of goodwill and trademarks

Impairment testing of goodwill and trademarks Atag, Etna and Pelgrim arising from the acquisition of Atag Europe BV was carried out. The calculations are based on cash flow projections for Atag, which have been prepared on the basis of the adopted strategic business plan for the period from 2010 to 2013. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3% and the discount rate of 12.31%.

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill and trademarks Atag, Etna and Pelgrim. Therefore there was no need for impairment.

Impairment testing of goodwill arising from the acquisition of Publicus, d.o.o. was carried out. The calculations are based on cash flow projections for Publicus, d.o.o., which have been prepared on the basis of the adopted strategic business plan for the period from 2010 to 2013. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3% and the discount rate of 7%.

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of IG AP, d.o.o. was carried out. The calculations are based on cash flow projections for IG AP, d.o.o., which have been prepared on the basis of the adopted strategic business plan for the period from 2010 to 2013. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3% and the discount rate of 7%.

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Mora Moravia, s r.o. was carried out. The calculations are based on cash flow projections for Mora Moravia, s r.o., which have been prepared on the basis of the adopted strategic business plan for the period from 2010 to 2013. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3% and the discount rate of 7%.

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Invest, d.o.o. was carried out. The calculations are based on cash flow projections for Invest, d.o.o., which have been prepared on the basis of the adopted strategic business plan for the period from 2010 to 2013. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3 % and the discount rate of 7%.

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was need for impairment of goodwill.

Impairment testing of goodwill arising from the acquisition of Surovina, d.d. was carried out. The calculations are based on cash flow projections for Surovina, d.d., which have been prepared on the basis of the adopted strategic business plan for the period form 2010 to 2013. The main underlying assumptions used to calculate the value in use are: the revenue growth rate of 3% and the discount rate of 7%.

The recoverable value of the cash-generating unit was determined to be higher than its carrying amount, including that of goodwill. Therefore there was need for impairment of goodwill.

Movement of intangible assets in 2009

in TEUR	Long-term deferred development costs	Long-term industrial property rights	Trade-marks	Goodwill	Intangible assets under construction	Total
Cost 1 January 2009	**25,035**	**32,750**	**61,964**	**69,358**	**270**	**189,377**
Acquisition	1,945	642			1,947	**4,534**
Disposal of Group companies		-12				**-12**
Disposals, writedowns	-1	-275				**-276**
Other transfers	382	976			-1,361	**-3**
Exchange differences	18	32				**50**
Cost 31 December 2009	**27,379**	**34,113**	**61,964**	**69,358**	**856**	**193,670**
Accumulated amortisation 1 January 2009	**10,981**	**15,410**				**26,391**
Disposal of Group companies		-11				**-11**
Disposals, writedowns	-1	-241				**-242**
Amortisation expense	3,929	2,060				**5,989**
Other transfers	-11	-32				**-43**
Exchange differences	-11	37				**26**
Accumulated amortisation 31 December 2009	**14,887**	**17,223**				**32,110**
Carrying amount 1 January 2009	**14,054**	**17,340**	**61,964**	**69,358**	**270**	**162,986**
Carrying amount 31 December 2009	**12,492**	**16,890**	**61,964**	**69,358**	**856**	**161,560**

Movement of intangible assets in 2008

in TEUR	Long-term deferred development costs	Long-term industrial property rights	Trade-marks	Goodwill	Intangible assets under construction	Total
Cost 1 January 2008	**20,045**	**22,358**		**4,597**	**441**	**47,441**
Acquisition	1,205	967			3,346	**5,518**
Acquisition through business combinations	2,138	8,618		64,453		**75,209**
Trademarks			61,964			**61,964**
Revaluation of temporary calculation of goodwill for Surovina, d.d.				308		**308**
Disposals, writedowns	-7	-1,028			-23	**-1,058**
Other transfers	1,665	1,983			-3,493	**155**
Exchange differences	-11	-148			-1	**-160**
Cost 31 December 2008	**25,035**	**32,750**	**61,964**	**69,358**	**270**	**189,377**
Accumulated amortisation 1 January 2008	**7,767**	**14,580**				**22,347**
Disposal of Group companies						
Disposals, writedowns		-1,007				**-1,007**
Amortisation expense	2,750	2,471				**5,221**
Other transfers	480	-565				**-85**
Exchange differences	-16	-69				**-85**
Accumulated amortisation 31 December 2008	**10,981**	**15,410**		**0**	**0**	**26,391**
Carrying amount 1 January 2008	**12,278**	**7,778**		**4,597**	**441**	**25,094**
Carrying amount 31 December 2008	**14,054**	**17,340**	**61,964**	**69,358**	**270**	**162,986**

GROUP - PROPERTY, PLANT AND EQUIPMENT

Note 22 – Property, plant and equipment 382,801 TEUR

in TEUR	2009	2008
Land	60,033	57,270
Buildings	170,617	162,982
Manufacturing and other equipment	145,662	164,546
Property, plant and equipment under construction	6,489	28,155
Total	**382,801**	**412,953**

Movement of property, plant and equipment in 2009

in TEUR	Land	Buildings	Manufacturing plant and equipment	PPE under construction	Total
Cost 1 January 2009	**57,270**	**308,774**	**559,611**	**28,155**	**953,810**
Acquisition	2,316	1,235	6,759	13,872	**24,182**
Acquisition through business combinations	163		276		**439**
Disposal of Group companies		-18	-65		**-83**
Disposals, writedowns	-43	-3,425	-10,388	-108	**-13,964**
Revaluation	-4				**-4**
Transfer to investment property		-876			**-876**
Other transfers	493	18,109	16,382	-34,983	**1**
Exchange differences	-162	-842	-744	-447	**-2,195**
Cost 31 December 2009	**60,033**	**322,957**	**571,831**	**6,489**	**961,310**
Accumulated depreciation 1 January 2009		**145,792**	**395,065**		**540,857**
Disposal of Group companies		-9	-44		**-53**
Disposals, writedowns		-2,879	-9,351		**-12,230**
Depreciation expense		9,449	40,612		**50,061**
Transfer to investment property		-36			**-36**
Other transfers		-8	51		**43**
Exchange differences		31	-164		**-133**
Accumulated depreciation 31 December 2009		**152,340**	**426,169**		**578,509**
Carrying amount 1 January 2009	**57,270**	**162,982**	**164,546**	**28,155**	**412,953**
Carrying amount 31 December 2009	**60,033**	**170,617**	**145,662**	**6,489**	**382,801**

In 2009, most of investments in the amount of TEUR 19,072 were made in the Household Appliances Division; the major portion of investments in the amount of TEUR 8,589 was made in the holding company to fund the completion of a warehouse for household appliances of own manufacture and of other producers (supplementary programme), the purchase of logistics assets, and the organisation of a consignment warehouse. In other divisions, most of investments in the amount of TEUR 6,282 were made in the companies engaged in Ecology.

Transfers include transfers from real property to investment property, transfers from intangible assets to property, plant and equipment, and transfers between individual items.

Disposals of property, plant and equipment include the sale of non-operating assets.

The Group's land was appraised as at 31 December 2009 by an independent certified appraiser. No conditions for revaluation of land and impairment of other items of property, plant and equipment were identified in 2009.

As at 31 December 2009, no financial liabilities were secured by mortgage on property.

Movement of property, plant and equipment in 2008

in TEUR	Land	Buildings	Manufacturing plant and equipment	PPE under construction	Total
Cost 1 January 2008	**45,168**	**300,159**	**531,263**	**18,176**	**894,766**
Acquisition	1,577	6,128	7,356	55,607	**70,668**
Acquisition through business combinations	287	706	2,966	245	**4,204**
Disposal of Group companies		-223	-64		**-287**
Disposals, writedowns	-1,067	-8,358	-14,401	-756	**-24,582**
Revaluation	9,684				**9,684**
Transfer to investment property		-114			**-114**
Transfer from investment property		3,295			**3,295**
Other transfers	1,851	8,312	33,763	-44,881	**-955**
Exchange differences	-230	-1,131	-1,272	-236	**-2,869**
Cost 31 December 2008	**57,270**	**308,774**	**559,611**	**28,155**	**953,810**
Accumulated depreciation 1 January 2008	**0**	**141,914**	**368,061**	**0**	**509,975**
Disposal of Group companies		-14	-24		**-38**
Disposals, writedowns		-5,550	-13,784		**-19,334**
Depreciation expense		9,738	42,162		**51,900**
Transfer to investment property		140			**140**
Other transfers		-71	-423		**-494**
Exchange differences		-365	-927		**-1,292**
Accumulated depreciation 31 December 2008	**0**	**145,792**	**395,065**	**0**	**540,857**
Carrying amount 1 January 2008	**45,168**	**158,245**	**163,202**	**18,176**	**384,791**
Carrying amount 31 December 2008	**57,270**	**162,982**	**164,546**	**28,155**	**412,953**

GROUP - INVESTMENT PROPERTY

Note 23 – Investment property 7,802 TEUR

in TEUR	2009	2008
Land	4,332	4,332
Buildings	3,470	2,758
Total	**7,802**	**7,090**

Investment property includes land and buildings acquired for resale or increase in investments. Investment property is measured using fair value model. The valuation of investment property by an independent certified appraiser of real property was carried out in 2008. No conditions for revaluation were identified in 2009.

Movement of investment property

in TEUR	2009	2008
Opening balance at 1 January	7,090	10,174
Increase	16	559
Revaluation	0	2,566
Decrease	-144	-1,187
Disposal of Group companies	0	-1,981
Transfer from property, plant and equipment	840	114
Transfer to property, plant and equipment	0	-3,155
Closing balance at 31 December	**7,802**	**7,090**

GROUP - NON-CURRENT INVESTMENTS

Note 24 – Non-current investments 6,614 TEUR

in TEUR	2009	2008
Long-term loans (1 to 5 years)	5,290	6,093
Long-term deposits	401	449
Other non-current investments	923	6,179
Total	**6,614**	**12,721**

Movement of long-term loans

in TEUR	2009	2008
Opening balance at 1 January	6,093	5,734
Increase	217	1,036
Decrease	-1,009	-677
Transfer to current investments	-11	0
Closing balance at 31 December	5,290	6,093

Long-term loans include loans extended by the holding company of the Gorenje Group and its subsidiaries to non-group companies. The interest rate, which depends on the currency in which the loan is denominated, ranges from 2.0 % to 7.0 %.

GROUP - DEFERRED TAX ASSETS AND LIABILITIES

Note 25 – Deferred tax assets and tax liabilities

Deferred taxes are calculated based on the temporary differences using the balance sheet liability method. The applied tax rate is the current tax rate applicable in the country in which the respective Group company is domiciled.

in TEUR	Deferred tax assets		Deferred tax liabilities		Tax assets – tax liabilities	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	353	44	5,282	4,918	-4,929	-4,874
Investments	1,687	1,337	72	461	1,615	876
Receivables	1,027	1,155	48	3	979	1,152
Inventories	147	153	246	688	-99	-535
Liabilities from litigations	7	12		6	7	6
Provisions in lines with local standards and tax laws	1,022	916	-40	65	1,062	851
Provisions for retirement benefits and jubilee premiums	3,480	3,871	-33		3,513	3,871
Provisions for warranties	2,506	2,789	10	333	2,496	2,456
Unused tax losses	2,616				2,616	
Unused tax incentives	623				623	
Interest rate swaps – cash flow hedge	2,062				2,062	
Changes in the Group						
Total	**15,530**	**10,277**	**5,585**	**6,474**	**9,945**	**3,803**

in TEUR	Tax assets – Tax liabilities		Through profit or loss		Through other comprehensive income	
	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-4,929	-4,874	-206	-17	84	-2,604
Investments	1,615	876	475	1,020	517	1,440
Receivables	979	1,152	-121	-171		
Inventories	-99	-535	-98	93		
Liabilities from litigations	7	6	-6	-29		
Provisions in lines with local standards and tax laws	1,062	851	-441	-209		
Provisions for retirement benefits and jubilee premiums	3,513	3,871	-325	-240		
Provisions for warranties	2,496	2,456	270	13		
Unused tax losses	2,616		2,664			
Unused tax incentives	623		623			
Interest rate swaps – cash flow hedge	2,062				2,062	
Changes in the Group						
Total	**9,945**	**3,803**	**2,835**	**460**	**2,663**	**-1,164**

Both deferred tax assets and deferred tax liabilities were recognised by the Group companies in 2009. Creation of deferred tax liabilities (through profit or loss) is based on the amounts of a decrease in the tax base of the Group companies in 2009 with regard to the determined profit or loss before taxes. Creation of deferred tax assets is based on an increase in the tax base of the Group companies in 2009 with regard to the determined profit or loss before tax and the determined tax losses.

GROUP - INVENTORIES

Note 26 – Inventories 217,981 TEUR

in TEUR	2009				2008			
	Household appliances	Home interior	Ecology, energy and services	Total	Household appliances	Home interior	Ecology, energy and services	Total
Materials	58,190	3,469	2,439	64,098	72,401	4,771	4,813	81,985
Work in progress	25,967	904	3,613	30,484	18,448	2,509	1,195	22,152
Products	84,872	3,626	5,213	93,711	104,064	3,547	6,779	114,390
Merchandise	26,709	374	1,307	28,390	29,942	244	952	31,138
Advances	1,155	139	4	1,298	3,177	151	11	3,339
Total	**196,893**	**8,512**	**12,576**	**217,981**	**228,032**	**11,222**	**13,750**	**253,004**

As at 31 December 2009, inventories showed a decrease by TEUR 35,023 over the previous year-end figure. The largest decrease was in inventories of products due to the effect of optimising net current assets and the lower volume of production. Inventories of materials decreased due to the adjustment of the volume of purchases to the decreased volume of production.

In 2009, inventories were written down by TEUR 4,748 (in 2008: TEUR 1,727). Advances for inventories include advances for inventories of raw materials and materials.

The carrying amount of inventories of products, of which production costs were adjusted to net realisable value, amounted to TEUR 7,648.

GROUP - CURRENT INVESTMENTS

Note 27 – Current investments 68,218 TEUR

in TEUR	2009	2008
Available-for-sale investments	15,248	22,224
Short-term deposits	16,121	2,140
Short-term loans	31,708	34,729
Interest receivable	473	192
Other current financial receivables	4,668	5,185
Total	**68,218**	**64,470**

A change in the fair value of available-for-sale investments in the amount of TEUR 3,186 relates to revaluation of shares as at 31 December 2009. The fair value reserve in other comprehensive income was reversed in the amount of TEUR 878 and the remaining amount of TEUR 2,308, determined on the basis of revaluation to market value, was recorded under financial expenses.

Short-term interest receivable includes interest receivable from short-term loans accounted for until the end of 2009.

Short-term loans include cash surplus deposited in short-term time deposits with banks and entities. The interest rate for bank deposits and loans ranges from 1.9 % to 7.5 %.

Other current financial receivables include receivables recorded by the parent company, which were transferred, due to maturity, from non-current to current financial receivables, decreased by payments received.

Movement of investments in available-for-sale shares and interests

in TEUR	2009	2008
Opening balance at 1 January	22,224	17,276
Increase	272	6,452
Disposal of Group companies	0	-53
Decrease	-3,615	-4,680
Change in fair value	-3,186	-8,895
Transfers	-447	12,124
Closing balance at 31 December	**15,248**	**22,224**

GROUP - TRADE RECEIVABLES

Note 28 - Trade receivables 251,740 TEUR

As at 31 December 2009, allowances for receivables amounted to TEUR 20,406 (in 2008: TEUR 15,444). The movement of allowance for trade receivables is shown in note 40 (Financial instruments).

GROUP - OTHER CURRENT ASSETS

Note 29 – Other current assets 35,796 TEUR

in TEUR	2009	2008
Other short-term receivables	20,736	28,050
Short-term advances and collaterals given	4,516	6,016
Short-term deferred costs	9,455	7,375
Other current assets	1,089	2,425
Total	**35,796**	**43,866**

Other short-term receivables include, as a major item, input VAT receivable which was recorded by the Gorenje Group in the amount of TEUR 10,398 at the year-end 2009 (in 2008: TEUR 14,493).
A significant portion of other current assets includes accrued receivables recorded by Gorenje, d.d.
Short-term deferred costs include costs of services billed but not yet provided.

GROUP - CASH AND CASH EQUIVALENTS

Note 30 – Cash and cash equivalents 27,130 TEUR

in TEUR	2009	2008
Cash in hand	405	409
Cash balances in banks and other financial institutions	26,725	23,706
Total	**27,130**	**24,115**

GROUP - EQUITY

Note 31 – Equity 369,644 TEUR

In accordance with the resolution of the 10th Shareholders' Meeting of Gorenje, d.d. on 12 December 2006 and the Court Order of 7 November 2007 on the change of share capital, the share capital was increased by 1,830,000 ordinary, freely transferable, no par value shares. At 31 December 2009, the share capital of Gorenje, d.d. amounted to EUR 58,546,152.56 (at 31 December 2008: EUR 58,546,152.56) and was divided into 14,030,000 ordinary, freely transferable, no par value shares.

Capital surplus (share premium) in the amount of TEUR 158,487 includes paid-in surplus in excess of par value of shares in the amount of TEUR 47,264, surplus in excess of book value of disposed own shares in the amount of TEUR 15,312 (1,070,000 own shares were disposed in 2008 for the acquisition of the ATAG company), general equity revaluation adjustment in the amount of TEUR 78,048, and other effects of the transition to IFRS.

Legal and statutory reserves in the amount of TEUR 21,697 include legal reserves in the amount of TEUR 12,895 (31 December 2008: TEUR 12,895), reserves for own shares in the amount of TEUR 3,170 (31 December 2008: TEUR 3,170), and statutory reserves in the amount of TEUR 5,632 (31 December 2008: TEUR 5,632).

Translation reserve decreased by TEUR 2,903 compared to the year 2008 and amounted to TEUR 17,405 as at 31 December 2009. The decrease is due to exchange differences arising from the translation of individual items of the financial statement of foreign operations from national currency to the reporting currency.

The changes in fair value reserve are shown below:

in TEUR	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Total
Balance at 1 Jan 2009	**17,316**	**6,575**	**-8,804**	**15,087**
Revaluation of land	-4	0	0	-4
Disposal of land	0	0	0	0
Change in fair value of cash flow hedge	0	0	-1,014	-1,014
Change in fair value of available-for-sale financial assets	0	-878	0	-878
Disposal of available-for-sale financial assets	0	-3,097	0	-3,097
Impairment of available-for-sale financial assets	0	0	0	0
Disposal of a subsidiary	0	0	0	0
Acquisition of non-controlling interests	65	0	0	65
Deferred taxes	84	517	2,062	2,663
Balance at 31 Dec 2009	**17,461**	**3,117**	**-7,756**	**12,822**

in TEUR	Fair value reserve for land	Fair value reserve for available-for-sale financial assets	Fair value reserve for derivatives	Total
Balance at 1 Jan 2008	**10,797**	**11,307**	**-144**	**21,960**
Revaluation of land	9,243	0	0	9,243
Disposal of land	0	0	0	0
Change in fair value of cash flow hedge	0	0	-8,660	-8,660
Change in fair value of available-for-sale financial assets	0	-3,883	0	-3,883
Disposal of available-for-sale financial assets	0	-2,288	0	-2,288
Impairment of available-for-sale financial assets	0	0	0	0
Acquisition of non-controlling interests	-121	0	0	-121
Deferred taxes	-2,603	1,439	0	-1,164
Balance at 31 Dec 2008	**17,316**	**6,575**	**-8,804**	**15,087**

Own shares amounting to TEUR 3,170 are stated as a deductible item of equity and measured at cost.

GROUP - EARNINGS PER SHARE

Note 32 – Earnings per share

Earnings per share amounted to EUR -0.83 in 2009 (in 2008: EUR 0.66). No preference shares have been issued by the Group, hence basic and diluted earnings per share are equal.

The calculation of EPS ratio is based on net profit or loss of the Group and the weighted average number of ordinary shares in the period:

2009	(in TEUR)
Net profit or loss	-11,504
Weighted average number of ordinary shares	13,908,689
Basic / Diluted earnings per share (in EUR)	-0.83

2008	(in TEUR)
Net profit or loss	8,872
Weighted average number of ordinary shares	13,469,497
Basic / Diluted earnings per share (in EUR)	0.66

All issued shares are of the same class and give their owner the right to participate in the management of the company. Each share gives one vote and a right to dividend.

In 2009, dividends were not paid (in 2008: EUR 0.45 gross per share).

GROUP - PROVISIONS

Note 33 – Provisions 62,158 TEUR

in TEUR	2009	2008
Provisions for warranties	38,000	32,735
Provisions for retirement benefits and jubilee premiums	19,623	19,563
Other provisions	4,535	3,068
Total	**62,158**	**55,366**

Long-term provisions for warranties were created on the basis of estimated costs of warranties calculated by taking into account the past known data on the quality level of products and the costs of repairs under warranties.

Provisions for retirement benefits and jubilee premiums were created on the basis of the actuarial calculation of estimated future payments of retirement benefits and jubilee premiums, which was made as at 31 December 2009. The actuarial calculation was based on the following assumptions:

- a discount rate of 5.40 % in December 2009 representing the rate of return on 10-year entrepreneurial bonds with high credit rating in the euro area;
- current retirement benefits and jubilee premiums as defined in the internal acts of individual companies or in the national regulations;
- an employee turnover depending in particular on the employee’s age;
- a mortality rate stated in the latest available mortality tables of the local population;
- an increase in wages and salaries due to adjustment for inflation and career promotion.

Actuarial deficits or surpluses occurring in connection with retirement benefits and jubilee premiums are recognised in the income statement as expense (income).

A significant portion of other long-term provisions includes provisions for costs in connection with the Directive on Waste Electrical and Electronic Equipment in the amount of TEUR 1,738 recorded by ZEOS, d.o.o., and provisions for compensation claims arising out of legal actions brought against Gorenje, d.d. in the amount of TEUR 1,948.

Movement of provisions in 2009

in TEUR	Balance 1 Jan 2009	Use	Exchange difference	Reversal	Creation	Disposal of companies	Balance 31 Dec 2009
Provisions for warranties	32,735	-17,057	-153	-1,330	23,835	-30	38,000
Provisions for retirement benefits and jubilee premiums	19,563	-1,359	-7	-299	1,765	-40	19,623
Other provisions	3,068	-718	2	-276	2,509	-50	4,535
Total	**55,366**	**-19,134**	**-158**	**-1,905**	**28,109**	**-120**	**62,158**

Movement of provisions in 2008

in TEUR	Balance 1 Jan 2008	Use	Exchange difference	Reversal	Creation	Acquisition of companies	Balance 31 Dec 2008
Provisions for warranties	29,340	-21,384	-663	-3,374	22,485	6,331	32,735
Provisions for retirement benefits and jubilee premiums	18,850	-768	-3	-535	1,674	345	19,563
Other provisions	3,463	-1,119	-34	-618	1,352	24	3,068
Total	**51,653**	**-23,271**	**-700**	**-4,527**	**25,511**	**6,700**	**55,366**

GROUP - PROVISIONS FORMED FROM GOVERNMENT GRANTS

Note 34 – Provisions created from government grants — 1,211 TEUR

in TEUR	Balance 1 Jan 2009	Depreciation	Creation	Balance 31 Dec 2009
Provisions created from government grants	8,936	-10,725	3,000	1,211
Total	**8,936**	**-10,725**	**3,000**	**1,211**

in TEUR	Balance 1 Jan 2008	Depreciation	Creation	Balance 31 Dec 2008
Provisions created from government grants	8,717	-2,951	3,170	8,936
Total	**8,717**	**-2,951**	**3,170**	**8,936**

GROUP - NON-CURRENT FINANCIAL LIABILITIES

Note 35 – Non-current financial liabilities — 242,359 TEUR

in TEUR	2009	2008
Non-current borrowings	297,073	280,716
Other financial liabilities	7,698	7,807
Transfer to current financial liabilities	-62,412	-64,404
Total	**242,359**	**224,119**

Non-current borrowings by maturity	in TEUR
1–2 years	95,858
2–4 years	104,660
4–6 years	31,703
6–9 years	2,440
Total	**234,661**

Non-current borrowings

Currency	Amount in TEUR	Interest rate from	Interest rate to
EUR	234,661	1.28 %	7.00 %
Total	**234,661**		

The effective interest rate is equal to the contractual interest rate.

Collateralisation	in TEUR
Bills	232,661
Financial covenants	197,711
Guarantees	63,021
Guarantee Scheme of the Republic of Slovenia	34,500

Some non-current borrowings are simultaneously secured by several forms of collateralisation. Guarantees include guarantees and sureties issued by Gorenje, d.d. and Gorenje BeteiligungsGmbH to the commercial banks to secure liabilities of the Group company.

The provision of collateral through the Guarantee Scheme of the Republic of Slovenia includes the nominal value of borrowing secured by a guarantee through the Guarantee Scheme of the Republic of Slovenian. The average amount of a guarantee is 30 percent of the nominal value of the loans.

GROUP - CURRENT FINANCIAL LIABILITIES

Note 36 – Current financial liabilities 209,883 TEUR

in TEUR	2009	2008
Short-term borrowings from banks	133,944	185,377
Transfer from long-term borrowings	62,412	64,404
Short-term borrowings from other entities	1,977	2,121
Current interest payable	653	1,100
Current dividend payable	630	204
Derivatives - liabilities	10,267	10,470
Total	**209,883**	**263,676**

As at 31 December 2009, forward exchange contracts were concluded by Gorenje, d.d. for the total value of hedged items in the amount of TEUR 8,580. The forward exchange contracts were used in the financial year 2009 to hedge against the change in foreign exchange rates: EUR/PLN, EUR/AUD, EUR/USD, EUR/HRK, EUR/HUF, EUR/GBP, and EUR/RSD. At the year end, hedging of the following foreign exchange rates was recorded: EUR/USD and EUR/HUF. Maturities of forward contracts are short (up to one year).

The total value of hedged items recorded by Gorenje, d.d. as at 31 December 2009, for which interest rate swap contracts were concluded, amounted to TEUR 106,071. The interest rate swap contracts are used to hedge against the fluctuation of the variable interest rate EURIBOR. Maturities of interest rate swap contracts are long, i.e. progressively until 31 January 2012.

Short-term borrowings from banks			Interest rate	
Currency	**Amount in the currency (in 000)**	**Amount in TEUR**	**from**	**to**
EUR		175,412	1.28 %	6.20 %
CZK	367,181	13,870	1.88 %	4.79 %
HUF	588,163	2,175	8.40 %	
TRY	3,488	1,619	12.00 %	17.00 %
HRK	8,249	1,130	4.76 %	
RSD	90,559	953	15.50 %	
DKK	5,745	772	4.01 %	5.31 %
PLN	1,744	425	4.26 %	
Total		**196,356**		

Short-term borrowings from other entities	Interest rate

Currency	Amount in the currency (in 000)	Amount in TEUR	from	to
EUR		1,977	4.10 %	6.50 %
Total		**1,977**		

The effective interest rate is equal to the contractual interest rate.

Collateralisation	in TEUR
Bills	196,356
Financial covenants	72,990
Guarantees	56,829

Some non-current borrowings are simultaneously secured by several forms of collateralisation. Guarantees include guarantees and sureties issued by Gorenje, d.d. and Gorenje BeteiligungsGmbH to the commercial banks to secure liabilities of the Group companies.

The loan contracts concluded by Gorenje d.d. with the banks include financial covenants, which were breached in the financial year 2009 due to the aggravated macroeconomic situation and the consequent drop in sales. The covenants are reviewed on the basis of the audited consolidated financial statements for the respective financial year.

Because of the anticipated breach of financial covenants, Gorenje d.d. contacted its banks at the year end 2009 requesting for waiver of the financial covenants in the 2009 financial statements. The Company received the approval of waiver request from all its banks for all its borrowing and guarantee deals secured by financial covenants. The waiver of financial covenants is effective and valid for the 2009 financial year.

GROUP - TRADE PAYABLES

Note 37 - Trade payables 196,296 TEUR

As at 31 December 2009, the item of trade payables in the amount of TEUR 196,296 does not include any payables to the members of the Management Board and Supervisory Board and the internal owners.

GROUP - OTHER CURRENT LIABILITIES

Note 38 – Other current liabilities 87,260 TEUR

in TEUR	2009	2008
Payables to employees	17,139	13,753
Payables to state institutions	13,055	9,482
Short-term accrued costs and expenses	31,425	25,316
Other payables	25,641	30,613
Total	**87,260**	**79,164**

Payables to employees and payables to state institutions relating to contributions and taxes relate to wages and salaries for December paid in January of the following year.

Short-term accrued costs and expenses were created for accrued costs of discounts, accrued interest expense, and other accrued costs of services.

GROUP - CONTINGENT LIABILITIES

Note 39 - Contingent liabilities

Contingent liabilities of the Group arising from guarantees and collaterals given to financial institutions and companies amounted to TEUR 23,817 as at 31 December 2009.

GROUP - FINANCIAL INSTRUMENTS

GROUP - NOTE: CREDIT RISK

Note 40 - Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk exposure at the reporting date was:

in TEUR	2009	2008
Available-for-sale financial assets	15,248	22,224
Loans	36,998	40,822
Trade and other receivables	287,536	305,883
Deposits	16,522	2,589
Other financial receivables	6,064	6,436
Cash and cash equivalents	27,130	24,115
Interest rate swaps used for hedging: assets	0	327
Forward exchange contracts used for hedging: assets	0	4,793
Total	**389,498**	**407,189**

The maximum credit risk exposure of trade receivables at the reporting date - by geographic region:

in TEUR	2009	2008
West	69,011	69,913
East	182,388	192,046
Other	341	58
Total	**251,740**	**262,017**

The maximum credit risk exposure of trade receivables at the reporting date - by type of customer:

in TEUR	2009	2008
Wholesale customers	210,017	223,982
Retail customers	32,804	28,836
Other customers	8,919	9,199
Total	**251,740**	**262,017**

Maturity of trade receivables at the reporting date:

in TEUR	Gross amount	Allowance	Gross amount	Allowance
	2009	2009	2008	2008
Not past due	195,299		202,740	
Past due 1 - 45 days	29,501		36,223	
Past due 46 - 90 days	8,679		9,806	
Past due 91 - 180 days	8,282		7,284	
Past due more than 180 days	30,385	20,406	21,408	15,444
Total	**272,146**	**20,406**	**277,461**	**15,444**

Movement of allowances for trade receivables:

in TEUR	2009	2008
Opening balance at 1 January	15,444	12,484

Impairment loss	8,780	3,512
Allowance for secured receivables	1,532	
Recovered bad debts	-1,665	-307
Write-off of receivables	-3,243	-245
Changes in the Group	-442	
Closing balance at 31 December	**20,406**	**15,444**

GROUP - NOTE: LIQUIDITY RISK

Note 40 - Liquidity risk

The maturity of financial liabilities is show below:

31 December 2009

in TEUR	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
Non-derivative financial liabilities						
Bank borrowings	431,017	457,685	206,329	103,415	145,327	2,614
Borrowings from other entities	1,977	2,056	2,056			
Other financial liabilities	7,698	7,698	7,698			
Trade and other payables	287,837	287,837	287,837			
Total	**728,529**	**755,276**	**503,920**	**103,415**	**145,327**	**2,614**
Derivative financial liabilities						
Interest rate swaps	-10,017	-10,017	-6,177	-3,840		
Forward exchange contracts used for hedging						
Outflow	-250	-250	-250			
Inflow						
Total	**-10,267**	**-10,267**	**-6,427**	**-3,840**		

31 December 2008

in TEUR	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
Non-derivative financial liabilities						
Bank borrowings	466,093	492,980	259,155	69,700	161,545	9,626
Borrowings from other entities	2,121	2,206	2,206			
Other financial liabilities	7,807	7,807	7,807			
Trade and other payables	304,641	304,641	304,641			
Total	**780,662**	**807,634**	**573,809**	**69,700**	**161,545**	**9,626**
Derivative financial liabilities						
Interest rate swaps	-10,078	-10,078	985	-11,013	-50	0
Forward exchange contracts used for hedging	4,858	4,858	4,858			
Outflow						
Inflow	4,858	4,858	4,858			
Total	**-5,220**	**-5,220**	**5,843**	**-11,013**	**-50**	**0**

The periods in which cash flows from derivatives, which are cash flow hedge, are expected to occur and their impact on profit and loss are shown below:

in TEUR	Carrying amount	Expected cash flows	1 year or less	1–5 years	Over 5 years
Interest rate swaps					
Assets (Liabilities)	-10,017	-10,017	-6,177	-3,840	
Forward exchange contracts					
Assets (Liabilities)	-250	-250	-250		
Total	**-10,267**	**-10,267**	**-6,427**	**-3,840**	

in TEUR	Carrying amount	Expected cash flows	1 year or less	1–5 years	Over 5 years
Interest rate swaps					
Assets (Liabilities)	-10,078	-10,078	985	-11,063	0
Forward exchange contracts					
Assets (Liabilities)	4,793	4,793	4,793		
Total	**-5,285**	**-5,285**	**5,778**	**-11,063**	**0**

GROUP - NOTE: CURRENCY RISK

Note 40 - Currency risk

The Group's exposure to foreign currency risk:

31 December 2009

in TEUR	EUR	HRK	DKK	PLN	RSD	CZK	Other
Trade receivables	160,304	29,051	4,205	6,897	13,029	8,411	29,843
Financial liabilities (borrowings)	-410,073	-1,130	-772	-425	-953	-13,870	-3,794
Trade payables	-179,771	-1,091	-731	-1,366	-3,862	-3,905	-5,570
Exposure of the financial position	**-429,540**	**26,830**	**2,702**	**5,106**	**8,214**	**-9,364**	**20,479**
Forward exchange contracts	0	0	0	0	0	0	4,176
Net exposure	**-429,540**	**26,830**	**2,702**	**5,106**	**8,214**	**-9,364**	**24,655**

31 December 2008

in TEUR	EUR	HRK	DKK	PLN	RSD	CZK	Other
Trade receivables	187,758	24,325	3,297	7,697	15,767	3,280	25,805
Financial liabilities (borrowings)	-440,194	-	-4,719	-1,225	-168	-17,276	-4,632
Trade payables	-219,253	-2,652	-957	-1,296	-4,331	-4,361	-9,176
Exposure of the financial position	**-471,689**	**21,673**	**-2,379**	**5,176**	**11,268**	**-18,357**	**11,997**
Forward exchange contracts	0	-16,391	0	-17,985	0	0	13,421
Net exposure	**-471,689**	**5,282**	**-2,379**	**-12,809**	**11,268**	**-18,357**	**25,418**

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
HRK	7.341	7.224	7.300	7.356
CZK	26.455	24.959	26.473	26.875
DKK	7.446	7.456	7.442	7.451
RSD	93.797	81.188	95.025	89.372
PLN	4.330	3.515	4.105	4.154

Sensitivity analysis

A 5 percent increase of the euro against the stated currencies as at 31 December would have increased (decreased) net profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis has been performed on the same basis as for 2008.

31 December 2009	in TEUR
	Net profit or loss
HRK	-1,342
DKK	-135
PLN	-255
RSD	-411
CZK	468
Other currencies	-1,288

31 December 2008	in TEUR
	Net profit or loss
HRK	-264
DKK	119
PLN	640
RSD	-563
CZK	918
Other currencies	-1,284

A 5 percent decrease of the euro against the stated currencies as at 31 December would have had the equal yet opposite effect, provided that all other variables remain unchanged.

GROUP - NOTE: INTEREST RATE RISK

Note 40 - Interest rate risk

The Group's exposure to interest rate risk:

in TEUR	2009	2008
Fixed rate financial instruments		
Financial assets		
Financial liabilities	90,094	28,118
Variable rate financial instruments		
Financial liabilities	340,923	432,256

Fair value sensitivity analysis for fixed rate instruments

The Group does not record any fixed rate financial instruments at fair value through profit or loss and derivatives designated as fair value hedge. Therefore a change in the interest rate at the reporting date would not have any impact on net profit or loss.

Fair value sensitivity analysis for variable rate instruments

A change in the interest rate by 50 basis points at the reporting date would have increased (decreased) net profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged. The analysis has been performed on the same basis as for 2008.

in TEUR	Net profit or loss		Other comprehensive income	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2009				
Variable rate instruments	-1,180	1,180	0	0
Interest rate swap contracts	51	-51	304	-304
Cash flow variability (net)	**-1,129**	**1,129**	**304**	**-304**
31 December 2008				
Variable rate instruments	-1,850	1,850	0	0
Interest rate swap contracts	56	-56	319	-319
Cash flow variability (net)	**-1,794**	**1,794**	**319**	**-319**

GROUP - FAIR VALUE

Note 41 – Fair value

The fair value and the carrying amount of assets and liabilities:

in TEUR	Carrying amount	Fair value	Carrying amount	Fair value
	2009	2009	2008	2008
Available-for-sale investments	15,248	15,248	22,224	22,224
Non-current loans	5,691	5,691	6,542	6,542
Current loans	48,302	48,302	37,061	37,061
Derivatives	-10,267	-10,267	-5,285	-5,285
Trade receivables	251,740	251,740	262,017	262,017
Other current assets	35,796	35,796	43,866	43,866
Cash and cash equivalents	27,130	27,130	24,115	24,115
Non-current financial liabilities	-162,721	-162,721	-224,119	-224,119
Non-current financial liabilities (fixed interest rate)	-79,638	-67,016		
Current financial liabilities	-199,616	-199,616	-253,206	-253,206
Trade payables	-196,296	-196,296	-223,660	-223,660
Other payables	-87,260	-87,260	-79,164	-79,164
Total	**-351,891**	**-339,269**	**-389,609**	**-389,609**

Available-for-sale investments are valued at fair value on the basis of market prices.

Fair value scale

The table shows method of valuing financial assets recorded at fair value. The levels are as follows:

- Level 1: stock price (unadjusted) in the active market of identical assets and liabilities
- Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities
- Level 3: data on the value of assets and liabilities not based on the active market

Year 2009

in TEUR	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	3,770	-	11,478	15,248
Derivatives – assets	-	-	-	-
Derivatives - liabilities	-	-10,267	-	-10,267

Year 2008

in TEUR	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	4,897	-	17,327	22,224
Derivatives – assets	-	4,793	-	4,793
Derivatives - liabilities	-	-10,078	-	-10,078

Forward exchange contracts

The total fair value of forward exchange contracts amounted to TEUR -250 as at 31 December 2009 and was recorded under other financial liabilities.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2009 amounted to TEUR -10,017 and was recorded under other financial liabilities.

Interest rate swap hedges, which refer to hedged items in the statement of financial position, are recorded in equity as a fair value reserve.

GROUP - INVESTMENT-RELATED COVENANTS

Note 42 - Covenants related to investments

The value of contractually agreed investments in intangible assets and property, plant and equipment, not yet recognised in the financial statements at the date of the statement of financial position, amounts to TEUR 2,094.

GROUP - RELATED PARTY TRANSACTIONS

Note 43 - Related party transactions

The transactions with related parties were conducted by the Group companies on the basis of sale/purchase contracts. The prices used in these related party transactions were the market prices of products and services.Information on groups of persons

In **2009**, the following gross personal earnings were paid by the Group companies to the groups of persons stated below:

			in TEUR
Type of earnings	Management Board	Supervisory Board	Employees under individual employment agreements
Salaries	6,184		9,208
Bonuses and other income	987	59	749
Total	**7,171**	**59**	**9,957**

No non-current and current loans were extended by the Group companies to the Management Board and Supervisory Board members and internal owners.

In **2008**, the following gross personal earnings were paid by the Group companies to the groups of persons stated below:

			in TEUR
Type of earnings	Management Board	Supervisory Board	Employees under individual employment agreements
Salaries	6,577		10,763
Bonuses and other income	1,338	205	737
Total	**7,915**	**205**	**11,500**

Joint venture transactions undertaken by the Group companies:

in TEUR	Transaction value		Balance	
	2009	2008	2009	2008
Financial revenue				
Holding company	6	5	0	0
Revenue				
Joint venture companies	1,533	1,545	207	231

GROUP - EVENTS AFTER THE REPORTING DATE

Note 44 - Events after the date of the statement of financial position

- On 26 January 2010, the Management Board of Gorenje, d.d. announced the Summary of the Strategic Plan of the Gorenje Group for the period 2010 - 2013.
- On 25 January 2010, the District Court in Kranj issued a court order on the entry in the register of the incorporation of EKOGOR, družba za predelavo in obdelavo odpadkov, d.o.o., Jesenice, of which one of the shareholders (majority shareholder owning 51% of the company) is the company PUBLICUS, d.o.o., Ljubljana.
- The supervisory board of Gorenje, d.d., appointed a five-member nomination board for the commission of the supervisory board in its meeting of 2 March 2010. The nomination board met on 5 March 2010. The meeting was chaired by the Chairman of the board Bachtiar Djalil. In the meeting the nomination board took a decision about the beginning of the procedure for the preparation of proposal for the appointment of members of the supervisory board of the company that has to be concluded until 6 April 2010.
- In the meeting of 11 March 2010 the supervisory board confirmed the members of the nomination board, expanded the composition of the board by one member and in compliance with the provisions of the Companies Act Peter Ješovnik, M.Sc. was appointed chairman of the nomination board. Members of the nomination board are the chairman of the supervisory board Jože Zagožen, Ph.D., Bachtiar Djalil, representative of Kapitalska družba, d. d., Andraž Grahek, representative of KD Skladi, d. o. o., Philip Alexander Sluiter, representative of Home Products Europe B. V., and Bogomir Kovač, Ph.D. representative of the human resources - accreditation board.

GROUP - TRANSACTIONS WITH THE AUDITING FIRM

Note 45 - Transactions with the auditing firm

In 2009 the cost of auditing the Company's financial statements as well as the consolidated financial statements of the Gorenje Group were recorded at TEUR 739.

GROUP - OPERATING SEGMENTS

Note 46 – Business segments

in TEUR	Home Appliances		Home Interior		Ecology, Energy and Services		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from the sale to third parties	925,496	1,050,125	40,720	59,133	219,721	221,495	1,185,937	1,330,753
Inter-segment revenue	3,955	9,955	14,454	22,481	6,779	7,839	25,188	40,275
Interest income	4,679	5,619	67	38	470	603	5,216	6,260
Interest expenses	19,697	23,914	82	102	1,980	1,280	21,759	25,296
Amortisation and depreciation expense	48,638	50,151	2,037	2,287	5,375	4,683	56,050	57,121
Operating profit or loss	15,780	29,963	-4,748	-2,040	1,117	8,970	12,149	36,893
Income tax							-2,924	-5,292
Net profit or loss for the period	-6,720	7,145	-5,082	-3,013	-430	6,049	-12,232	10,181
Total assets	1,003,363	1,068,689	34,130	41,616	141,184	147,427	1,178,677	1,257,732
Total liabilities	696,359	755,920	11,843	16,114	100,831	91,176	809,033	863,210
Investments	19,072	58,550	1,792	1,524	7,868	16,733	28,732	76,807
Impairment loss on investments	2,206	5,011	0	0	102	1	2,308	5,012

GROUP - GEOGRAPHICAL SEGMENTS

Note 47 – Geographical segments

in TEUR	West		East		Other		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from the sale to third parties	430,771	387,342	723,096	901,691	32,070	41,720	1,185,937	1,330,753
Total assets	300,862	277,774	876,838	921,331	977	58,627	1,178,677	1,257,732
Investments	4,491	2,201	24,240	74,603	1	3	28,732	76,807

GROUP - INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the Shareholders of Gorenje, d.d., Velenje

We have audited the accompanying financial statements of the company Gorenje, d.d., Velenje, which comprise the statement of financial position as at 31 December 2009, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company Gorenje, d.d., Velenje as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

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

Danilo Bukovec, B.Sc.Ec.
Certified Auditor

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

Ljubljana, 2 April 2010

KPMG Slovenija, d.o.o.
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DATA ON GORENJE GROUP COMPANIES

Appendix 1: Information on the Gorenje Group companies

Group companies	Share capital (in TEUR)	Number of employees
Gorenje, d.d., Slovenia	58,546	4,835
Gorenje I.P.C., d.o.o., Slovenia	93	755
Gorenje Tiki, d.o.o., Slovenia	257	322
Gorenje GTI, d.o.o., Slovenia	8,426	115
Gorenje Notranja oprema, d.o.o., Slovenia	3,835	915
Gorenje Gostinstvo, d.o.o., Slovenia	3,790	189
ENERGYGOR, d.o.o., Slovenia	9	0
KEMIS, d.o.o., Slovenia	1,450	25
Gorenje Orodjarna, d.o.o., Slovenia	927	211
Indop, d.o.o., Slovenia	1,000	19
ZEOS, d.o.o., Slovenia	477	3
SUROVINA, d.d., Slovenia	4,849	337
ISTRABENZ GORENJE, d.o.o., Slovenia	5,433	20
GEN-I, d.o.o., Slovenia	3,177	18
Istrabenz investicijski inženiring, d.o.o., Slovenia	708	0
Istrabenz Gorenje inženiring, d.o.o., Slovenia	607	5
ERICo, d.o.o., Slovenia	278	57
Gorenje design studio, d.o.o., Slovenia	500	14
Gorenje Projekt, d.o.o., Slovenia	88	0
PUBLICUS, d.o.o., Slovenia	897	59
IG AP, d.o.o., Slovenia	4	6
Vitales Nova Gorica, d.o.o., Slovenia	4	0
Istrabenz Gorenje Projekt, d.o.o., Slovenia	5	1
Gorenje Beteiligungs GmbH, Austria	26,600	5
Gorenje Austria Handels GmbH, Austria	3,275	57
Gorenje Vertriebs GmbH, Germany	5,700	57
Gorenje Körting Italia S.r.l., Italy	1,043	10
Gorenje France S.A.S., France	3,225	23
Gorenje BELUX S.a.r.l., Belgium	19	5
Gorenje UK Ltd., Great Britain	113	13
Gorenje Skandinavien A/S, Denmark	2,395	47
Gorenje AB, Sweden	195	4
Gorenje spol. s r.o., Czech Republic	4,633	41
Gorenje real spol. s r.o., Czech Republic	9,821	61
Gorenje Slovakia s.r.o., Slovak Republic	1,892	46
Gorenje Budapest Kft., Hungary	2,644	23
Gorenje Polska Sp. z o.o., Poland	4,638	35
Gorenje Bulgaria EOOD, Bulgaria	3,175	14
Gorenje Zagreb, d.o.o., Croatia	15,485	146
Gorenje Skopje, d.o.o., Macedonia	246	17
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1	55
Gorenje, d.o.o., Serbia	4,068	61
Gorenje Invest, d.o.o., Serbia	1,063	15
Gorenje Podgorica, d.o.o., Montenegro	2,800	16
Gorenje OY, Finland	115	2
Gorenje AS, Norway	265	4
OÜ Gorenje, Estonia	3	0
SIA Gorenje, Latvia	405	0
Gorenje Romania S.R.L., Romania	386	8
Gorenje aparati za domaćinstvo, d.o.o., Serbia	26,482	498

Mora Moravia s r.o., Czech Republic	10,339	634
Gorenje – kuchyně spol. s r.o., Czech Republic	1,587	38
ST Bana Nekretnine, d.o.o., Serbia	2,507	0
KEMIS -Termoclean, d.o.o., Croatia	778	59
Kemis - BH, d.o.o., Bosnia and Herzegovina	210	8
Gorenje Gulf FZE, United Arab Emirates	181	5
Gorenje Espana S.L., Spain	3	0
Gorenje Tiki, d.o.o., Serbia	11,249	207
GEN-I Zagreb, d.o.o., Croatia	51	1
GEN-I, d.o.o., Serbia	200	1
Intrade energija, d.o.o., Bosnia and Herzegovina	10	2
Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	987	28
Vitales, d.o.o., Bihać, Bosnia and Herzegovina	281	13
Gorenje Istanbul Ltd., Turkey	1,897	18
Gorenje TOV, Ukraine	58	5
Sirovina d.o.o., Bačka Palanka in liquidation, Serbia	242	10
GEN-I Budapest, Kft., Hungary	46	1
Gorenje kuhinje, d.o.o., Ukraine	818	10
Kemis - SRS, d.o.o., Bosnia and Herzegovina	1	1
ATAG Nederland BV, The Netherlands	16	374
ATAG België NV, Belgium	248	42
ATAG Financiele Diensten BV, The Netherlands	200	3
ATAG Financial Solutions BV, The Netherlands	18	0
Intell Properties BV, The Netherlands	45	0
ATAG Europe BV, The Netherlands	18	0
ATAG Special Products BV, The Netherlands	18	0
Gorenje Nederland B.V., The Netherlands	20,796	2
Gorenje Kazakhstan, TOO, Kazakhstan	30	2
OOO Gorenje BT, Russia	93	11
"Euro Lumi & Surovina" SH.P.K., Kosovo	431	12
Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	5	0
Vitales inženjering d.o.o., Prijedor, Bosnia and Herzegovina	13	0
Vitales Energie Biomasse S.R.L., Italy	3	0
Vitales Čakovec d.o.o., Croatia	1	0
GEN-I d.o.o., Sarajevo, Bosnia and Herzegovina	126	1
GEN-I DOOEL Skopje, Macedonia	5	1
GEN-I Athens SMLLC, Greece	37	1
GEN-I Tirana Sh.p.k., Albania	11	1
S.C. GEN-I Bucharest, Romania	123	1

MANAGING DIRECTORS OF COMPANIES

Appendix 2: Managing directors

In 2009, the Group companies were managed by the following managing directors:

Group company	Managing director
Gorenje, d.d., Slovenia	Franc Bobinac, President of the Management Board
	Franc Košec, Member of the Management Board
	Mirjana Dimc Perko, Member of the Management Board
	Uroš Marolt, Member of the Management Board
	Branko Apat, Member of the Management Board
	Drago Bahun, Member of the Management Board
Gorenje I.P.C., d.o.o., Slovenia	Mirko Rožanc
Gorenje Tiki, d.o.o., Slovenia	Branko Apat (until 17 Jan 2010) Dušan Goršek (since 18 Jan 2010)
Gorenje GTI, d.o.o., Slovenia	Cita Špital-Meh
Gorenje Notranja oprema, d.o.o., Slovenia	Gregor Verbič (until 31 Jan 2009) Uroš Marolt (since 1 Feb 2009)
Gorenje Gostinstvo, d.o.o., Slovenia	Saša Oprešnik
ENERGYGOR, d.o.o., Slovenia	Marijan Penšek
KEMIS, d.o.o., Slovenia	Emil Nanut
Gorenje Orodjarna, d.o.o., Slovenia	dr. Blaž Nardin
Indop, d.o.o., Slovenia	Boris Jurkošek
ZEOS, d.o.o., Slovenia	Emil Šehič
SUROVINA, d.d., Slovenia	Marko Fon (until 18 Oct 2009) Jure Fišer (since 19 Oct 2009)
ISTRABENZ GORENJE, d.o.o., Slovenia	dr. Robert Golob, President of the Management Board
GEN-I, d.o.o., Slovenia	dr. Robert Golob, President of the Management Board
	Martin Novšak, Deputy President of the Management Board
	dr. Dejan Paravan, Member of the Management Board
	dr. Igor Koprivnikar, Member of the Management Board
Istrabenz investicijski inženiring, d.o.o., Slovenia	dr. Robert Golob
Istrabenz Gorenje inženiring, d.o.o., Slovenia	Gorazd Jamnik (until 1 Mar 2009) Ciril Pucko (from 2 Mar 2009 to 30 Sep 2009) Robert Seme (since 1 Oct 2009)
	Ciril Pucko, Holder of a General Power of Attorney (since 1 Oct 09)
ERICo, d.o.o., Slovenia	Marko Mavec
Gorenje design studio, d.o.o., Slovenia	Jurij Giacomelli (until 30 Nov 2009) Jasna Petan (since 1 Dec 2009)
Gorenje Projekt, d.o.o., Slovenia	Bogdan Topič (until 31 May 2009) Uroš Razdevšek (since 1 Jun 2009)
PUBLICUS, d.o.o., Slovenia	Bogomir Eržen (until 30 Jul 2009) Slavko Hrženjak (since 31 Jul 2009)
IG AP, d.o.o., Slovenia	Marko Urbanija
	Ciril Pucko, Holder of a General Power of Attorney
Vitales Nova Gorica d.o.o., Slovenia	dr. Robert Golob
Istrabenz Gorenje Projekt, d.o.o., Slovenia	Jože Potrpin, Managing Director
	Peter Lindič, Managing Director
	Ciril Pucko, Holder of a General Power of Attorney
Gorenje Beteiligungs GmbH, Austria	Marko Šefer
Gorenje Austria Handels GmbH, Austria	Sandra Lubej
Gorenje Vertriebs GmbH, Germany	Klemen Prešeren
Gorenje Körting Italia S.r.l., Italy	Matjaž Geratič
Gorenje France S.A.S., France	Matjaž Geratič (until 3 Feb 2009) Matej Čufer (since 4 Feb 2009)
Gorenje BELUX S.a.r.l., Belgium	Matjaž Geratič (until 3 Feb 2009) Matej Čufer (since 4

	Feb 2009)
Gorenje UK Ltd., Great Britain	Matej Čufer (until 28 Feb 2009) Jernej Hren (since 1 Mar 2009)
Gorenje Skandinavien A/S, Denmark	Kristian Hansen
Gorenje AB, Sweden	Kristian Hansen
Gorenje spol. s r.o., Czech Republic	Suad Hadžić
Gorenje real spol. s r.o., Czech Republic	Suad Hadžić
Gorenje Slovakia s.r.o., Slovak Republic	Bogdan Urh
Gorenje Budapest Kft., Hungary	Bogdan Urh
Gorenje Polska Sp. z o.o., Poland	Franc Rogan
Gorenje Bulgaria EOOD, Bulgaria	Darko Mlinar
Gorenje Zagreb, d.o.o., Croatia	Jan Štern
Gorenje Skopje, d.o.o., Macedonia	Nenad Jovanović
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	Robert Polšak
Gorenje, d.o.o., Serbia	Marko Mrzel
Gorenje Invest, d.o.o., Serbia	Marko Mrzel
Gorenje Podgorica, d.o.o., Montenegro	Darko Vukčević
Gorenje OY, Finland	Kristian Hansen
Gorenje AS, Norvay	Kristian Hansen
OÜ Gorenje, Estonia	Kristian Hansen
SIA Gorenje, Latvia	Kristian Hansen
Gorenje Romania S.R.L., Romania	Anton Prislan
Gorenje aparati za domaćinstvo, d.o.o., Serbia	Mirko Meža
Mora Moravia s r.o., Czech Republic	Vitezslav Ružička
Gorenje – kuchyně spol. s r.o., Czech Republic	Viktor Faktor
ST Bana Nekretnine, d.o.o., Serbia	Rudolf Krebl
KEMIS -Termoclean, d.o.o., Croatia	Zoran Matić
Kemis - BH, d.o.o., Bosnia and Herzegovina	Maid Hadžimujić
Gorenje Gulf FZE, United Arab Emirates	Nermin Salman
Gorenje Espana, S.L., Spain	Matjaž Geratič (until 10 May 2009) Anton Pustovrh (from 11 May 2009 to 30 Nov 2009) Jernej Hren (since 1 Dec 2009)
Gorenje Tiki, d.o.o., Serbia	Branko Apat
GEN-I Zagreb, d.o.o., Croatia	dr. Igor Koprivnikar
GEN-I, d.o.o., Serbia	dr. Igor Koprivnikar
Intrade energija, d.o.o., Bosnia and Herzegovina	Emir Avdić
Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	Director: Borut Del Fabbro (until 31 May 2009) Matej Požun (from 1 Jun 2009 to 31 Oct 2009) Andrej Hrabar (since 1 Nov 2009)
	Matej Požun, Holder of a general power of attorney (since 1 Nov 2009)
Vitales, d.o.o., Bihać, Bosnia and Herzegovina	Director: Borut Del Fabbro (until 10 Mar 2009) Šerif Kosatica (since 11 Mar 2009)
	Holder of a general power of attorney: Borut Del Fabbro (from 11 Feb 2009 to 31 May 2009) Matej Požun (since 1 Jun 2009)
Gorenje Istanbul Ltd., Turkey	Suad Mujakić
Gorenje TOV, Ukraine	Matjaž Podlogar
Sirovina d.o.o., Bačka Palanka in liquidation, Serbia	Jelica Berber (until 31 May 2009) Boris Keber (since 1 Jun 2009)
GEN-I Budapest, Kft., Hungary	dr. Igor Koprivnikar
Gorenje kuhinje, d.o.o., Ukraine	Elena Tirleckaya (until 31 Aug 2009) Ljudmila Zvezday (since 1 Sep 2009)
Kemis - SRS, d.o.o., Bosnia and Herzegovina	Mladen Đekić
ATAG Nederland BV, The Netherlands	Philip Alexander Sluiter (until 1 Jul 2009) Berend Johannes Hofenk
ATAG België NV, Belgium	Jackie Haeck, Guy De Mey
ATAG Financiele Diensten BV, The Netherlands	Philip Alexander Sluiter (until 1 Jul 2009) Berend Johannes Hofenk
ATAG Financial Solutions BV, The Netherlands	Philip Alexander Sluiter (until 1 Jul 2009) Berend Johannes Hofenk
Intell Properties BV, The Netherlands	Philip Alexander Sluiter (until 1 Jul 2009) Berend

	Johannes Hofenk
ATAG Europe BV, The Netherlands	Philip Alexander Sluiter (until 1 Jul 2009) Berend Johannes Hofenk
ATAG Special Products BV, The Netherlands	Philip Alexander Sluiter (until 1 Jul 2009) Berend Johannes Hofenk
Gorenje Nederland BV, The Netherlands	Franc Bobinac (until 31 Mar 2010), Janez živko (until 3 Sep 2009) Marko Šefer (since 4 Sep 2009) Philip Alexander Sluiter (since 31 Mar 2010)
Gorenje Kazakhstan, TOO, Kazakhstan	Roman Jeglič
OOO Gorenje BT, Russia	Marko Špan
»Euro Lumi & Surovina« SH.P.K., Kosovo	Amir Pira
Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	Matej Požun
Vitales inženjering d.o.o., Prijedor, Bosnia and Herzegovina	Tatjana Bojić
Vitales Energie Biomasse S.R.L., Italy	Jure Špacal, President of the Management Board
	Robert Golob, Member of the Management Board
	Rado Kotar, Member of the Management Board
	Mirko Prevedello, Member of the Management Board
	Devis Facciani, Member of the Management Board
	Maurizio Pontarolo, Member of the Management Board
Vitales Čakovec d.o.o., Croatia	Saša Matić
GEN-I d.o.o., Sarajevo, Bosnia and Herzegovina	dr. Igor Koprivnikar
GEN-I DOOEL Skopje, Macedonia	dr. Igor Koprivnikar
GEN-I Athens SMLLC, Greece	dr. Igor Koprivnikar
GEN-I Tirana Sh.p.k., Albania	dr. Igor Koprivnikar
S.C. GEN-I Bucharest, Romania	dr. Igor Koprivnikar

FOREIGN CURRENCY EXCHANGE RATES

Appendix 3: Foreign exchange rates

Country	Currency	Unit	2009 Final exchange rate in EUR	2009 Average exchange rate in EUR	2008 Final exchange rate in EUR	2008 Average exchange rate in EUR
Australia	AUD	1	1.601	1.775	2.027	1.742
Czech Republic	CZK	1	26.473	26.455	26.875	24.959
Denmark	DKK	1	7.442	7.446	7.451	7.456
Great Britain	GBP	1	0.888	0.891	0.953	0.797
Croatia	HRK	1	7.300	7.341	7.356	7.224
Hungary	HUF	1	270.420	280.543	266.700	251.738
Norway	NOK	1	8.300	8.729	9.750	8.225
Poland	PLN	1	4.105	4.330	4.154	3.515
Sweden	SEK	1	10.252	10.620	10.870	9.617
Slovak Republic	SKK	1	1.000	1.000	30.126	31.272
USA	USD	1	1.441	1.393	1.392	1.471
Turkey	TRY	1	2.155	2.162	2.149	1.907
Bosnia and Herzegovina	BAM	1	1.956	1.956	1.956	1.956
Bulgaria	BGN	1	1.956	1.956	1.956	1.956
Macedonia	MKD	1	62.100	61.649	60.600	61.697
Switzerland	CHF	1	1.484	1.510	1.485	1.583
Romania	RON	1	4.236	4.240	4.023	3.684
Serbia	RSD	1	95.025	93.797	89.372	81.188
Estonia	EEK	1	15.647	15.647	15.647	15.647
Ukraine	UAH	1	12.016	11.151	6.571	7.617
Latvia	LVL	1	0.709	0.706	0.708	0.703
United Arab Emirates	AED	1	5.529	5.115	4.675	5.442
Kazakhstan	KZT	1	223.500	203.035	153.210	167.804
Russia	RUB	1	43.154	44.139	41.283	36.423
Albania	ALL	1	138.900	131.547	121.721	122.547

Financial statements of Gorenje d.d. according to IFRS as adopted by the EU

FINANCIAL STATEMENTS OF GORENJE, D.D.

INCOME STATEMENT

Income statement of Gorenje, d.d.

in TEUR	Notes	2009	2008
Revenue	**8**	**586,643**	**764,106**
Changes in inventories		-13,069	2,043
Other operating income	9	13,573	11,196
Gross profit		**587,147**	**777,345**
Cost of goods, materials and services	10	-458,817	-613,986
Employee benefits expense	11	-100,769	-110,305
Amortisation and depreciation expense	12	-32,801	-35,605
Other operating expenses	13	-4,575	-3,355
Results from operating activities		**-9,815**	**14,094**
Finance income		26,835	24,973
Finance expenses		-25,760	-27,183
Net finance income	14	1,075	-2,210
Profit or loss before income tax		**-8,740**	**11,884**
Income tax expense	15	2,656	88
Profit or loss for the period		**-6,084**	**11,972**
Basic and diluted earnings per share (in EUR)		-0.44	0.89

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income of Gorenje, d.d.

in TEUR	Notes	2009	2008
Net profit or loss for the period		**-6,084**	**11,972**
Other comprehensive income			
Change in fair value of land	17	0	7,454
Net change in fair value of available-for-sale financial assets		-843	-3,883
Net change in fair value of available-for-sale financial assets transferred to profit or loss	14	-3,097	-2,288
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge		597	-8,576
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	14	-1,611	-84
Income tax on other comprehensive income	21	2,668	-200
Other comprehensive income for the period		**-2,286**	**-7,577**
Total comprehensive income for the period		**-8,370**	**4,395**

STATEMENT OF FINANCIAL POSITION

Statement of financial position of Gorenje, d.d.

in TEUR	Notes	2009	2008
ASSETS		**775,820**	**873,840**
Non-current assets		**436,865**	**489,141**
Intangible assets	16	15,999	17,440
Property, plant and equipment	17	172,267	195,692
Investment property	18	4,462	4,462
Investments in subsidiaries	19	232,375	258,830
Other non-current investments	20	1,773	7,444
Deferred tax assets	21	9,989	5,273
Current assets		**338,955**	**384,699**
Inventories	22	75,215	105,948
Current investments	23	87,684	86,817
Trade receivables	24	165,181	172,327
Other current assets	25	10,442	18,825
Current tax assets	25	347	708
Cash and cash equivalents	26	86	74
EQUITY AND LIABILITIES		**775,820**	**873,840**
Equity	27	**304,196**	**312,566**
Share capital		58,546	58,546
Share premium		140,624	140,624
Legal reserves and statutory reserves		21,697	21,697
Retained earnings		87,975	94,059
Fair value reserve		-1,476	810
Own shares		-3,170	-3,170
Non-current liabilities		**171,783**	**221,990**
Provisions	29	26,113	24,187
Deferred tax liabilities	21	1,480	2,087
Non-current financial liabilities	30	144,190	195,716
Current liabilities		**299,841**	**339,284**
Current financial liabilities	31	136,792	162,727
Trade payables	32	143,918	160,692
Other current liabilities	33	19,131	15,865

STATEMENT OF CASH FLOWS

Statement of cash flows of Gorenje, d.d.

	in TEUR	Notes		2009	2008
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**				
	Profit for the period			**-6,084**	**11,972**
	Adjustments for:				
	Depreciation of property, plant and equipment	12,	17	29,516	31,773
	Amortisation of intangible assets	12,	16	3,285	3,832
	Investment income	14		-26,835	-24,973
	Finance expenses	14		25,760	22,790
	Gain on sale of property, plant and equipment			-40	-586
	Gain from revaluation of investment property			0	-2,154
	Income tax expense	15		-2,656	-88
	Operating profit before changes in net operating current assets and provisions			**22,946**	**42,566**
	Change in trade and other receivables			12,613	24,884
	Change in inventories	22		30,732	-12,079
	Change in provisions	29		1,925	-2,025
	Change in trade and other liabilities			-13,510	-22,622
	Cash generated from operations			**31,760**	**-11,842**
	Interest paid			-15,901	-17,598
	Income taxes paid			489	-1,540
	Net cash from operating activities			**39,294**	**11,586**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
	Proceeds from sale of property, plant and equipment			339	1,946
	Interest received			8,378	5,924
	Dividends received			6,322	7,443
	Disposal of available-for-sale investments			5,004	6,111
	Disposal of subsidiary, net of cash disposed			42,685	789
	Acquisition of subsidiary, net of cash acquired			-5,000	-107,483
	Acquisition of property, plant and equipment			-6,745	-33,196
	Loans			-9,319	-52,373
	Acquisition of other investments			434	-6,118
	Acquisition of intangible assets			-1,844	-3,035
	Net cash used in investing activities			**40,254**	**-179,992**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**				
	Repurchase of own shares			0	-112
	Borrowings / Repayment of borrowings			-79,536	174,471
	Dividends and premiums paid			0	-5,910
	Net cash used in financing activities			**-79,536**	**168,449**
	Net increase in cash and cash equivalents			12	43
	Cash and cash equivalents at beginning of period			74	31
	Cash and cash equivalents at end of period			86	74

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity of Gorenje, d.d.

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance at 1 Jan 2009	**58,546**	**140,624**	**21,697**	**94,059**	**-3,170**	**810**	**312,566**
Total comprehensive income for the period							
Net profit or loss for the period				-6,084			-6,084
Total other comprehensive income						-2,286	-2,286
Total comprehensive income for the period	**0**	**0**	**0**	**-6,084**	**0**	**-2,286**	**-8,370**
Transactions with owners (when acting as owners) recognised directly in equity							
Contributions by owners and distributions to owners							
Payment of dividends							
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance at 31 Dec 2009	**58,546**	**140,624**	**21,697**	**87,975**	**-3,170**	**-1,476**	**304,196**

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance at 1 Jan 2008	**58,546**	**125,851**	**45,034**	**64,660**	**-27,693**	**8,387**	**274,785**
Total comprehensive income for the period							
Net profit or loss for the period				11,972			11,972
Total other comprehensive income						-7,577	-7,577
Total comprehensive income for the period	**0**	**0**	**0**	**11,972**	**0**	**-7,577**	**4,395**
Transactions with owners (when acting as owners) recognised directly in equity							
Contributions by owners and distributions to owners							
Creation of reserves for own shares			112	-112	-112		-112
Creation of statutory reserves			1,186	-1,186			0
Payment of dividends				-5,781			-5,781
Remuneration to the Supervisory Board under the resolution of the Shareholders' Meeting				-129			-129
Disposal of own shares		14,773			24,635		39,408
Reversal of reserves for own shares			-24,635	24,635			0
Total contributions by owners and distributions to owners	**0**	**14,773**	**-23,337**	**17,427**	**24,523**	**0**	**33,386**
Total transactions with owners	**0**	**14,773**	**-23,337**	**17,427**	**24,523**	**0**	**33,386**
Closing balance at 31 Dec 2008	**58,546**	**140,624**	**21,697**	**94,059**	**-3,170**	**810**	**312,566**

NOTES TO THE FINANCIAL STATEMENTS

COMPANY - 1. REPORTING COMPANY

Gorenje, d.d. (the "Company") is the controlling company in the Gorenje Group with its registered office at Partizanska 12, 3503 Velenje, Slovenia. The financial statements of the Company have been prepared for the financial year ended 31 December 2009.

COMPANY - 2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in EU, and with the provisions of the Companies Act.

The financial statements were approved by the Management Board of Gorenje, d.d. on 29 March 2010.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following items which are measured at fair value:

- derivative financial instruments
- available-for-sale financial assets
- land and investment property

The methods used to measure fair values are discussed further in Note 4.

c) Functional and presentation currency

These financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes below:

- Note 19 and 20 - acquisition and disposal of companies
- Note 29 and accounting policy (k) - measurement of liabilities for retirement benefits and jubilee premiums
- Note 29 - provisions for litigations
- Note 29 and accounting policy (k) - provisions for warranties
- Note 23 - valuation of investments
- Accounting policy (i) - impairment of financial assets, including receivables

e) Changes in accounting policies

(i) Overview

Starting as of 1 January 2009, the Company has changed its accounting policies in the following areas:

- accounting for borrowing costs,
- presentation of financial statements.

(ii) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Company immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on earnings per share. The Company has capitalised borrowing costs with respect to property, plant and equipment under construction (see note 3(d)(iii)) and development costs (see note 3(e)(i)).

(iii) Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

COMPANY - 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

a) Foreign currency

Transactions in foreign currencies are translated to EUR (functional currency of the Company) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to EUR at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to EUR at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, or a non-financial liability designated as a hedge.

b) Financial instruments

(i) Non-derivative financial instruments

The Company initially recognises bonds and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial assets: liabilities and receivables, and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Company’s current financial liabilities.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are accounted for. Impairment losses and foreign currency differences on available-for-sale equity instruments are recognised in profit or loss and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Available-for-sale financial assets also include financial assets that could not be measured at fair value. The shares of these companies are not listed. The Company measures these shares on the basis of available information on recent market transactions.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Changes in the fair value of separable embedded derivatives designated as a cash flow hedge are recognised immediately in other comprehensive income.

Hedge accounting is discontinued if the hedge no longer meets the hedge accounting criteria, and the hedging instrument expires or is sold, terminated, or exercised. The cumulative gain or loss previously recognised in other comprehensive income is retained in other comprehensive income until the forecast transaction occurs. If the hedged item is a non-financial asset, the amount previously recognised in other comprehensive income is transferred to the carrying amount of the non-financial asset upon its recognition. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period in which the hedged asset affects profit or loss.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to retained earnings or share premium.

Dividends are recognised as a liability on the day of transaction.

c) Subsidiaries

Investments in subsidiaries are valued at cost. Incremental costs directly attributable to the acquisition of a subsidiary are recognized as an increase in the cost of equity investment. Share of profit is recognized as income when a resolution on dividend payment is adopted by the Shareholders' Meeting.

d) Property, plant and equipment (PPE)

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment were capitalised subject to the following conditions: if the value of qualifying asset in total sales exceeded 5%, and if the duration of construction exceeded 6 months.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Fair value model or revaluation model is applied to land. The effect of revaluation is recorded in other comprehensive income. Impairment of land previously increased in value results in a decrease in revaluation surplus in other comprehensive income; otherwise, it is recognised in the income statement. The revaluation of land is based on the appraisal report prepared by an independent appraiser. Each year, the Company is testing land for impairment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Reclassification to investment property

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment and measured at cost until construction of development is completed, at which time it is reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss.

(iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All others costs, such as day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	34–50 years
Plant and equipment	5–20 years
Computer equipment	2–5 years
Transportation means	5–14 years
Office equipment	5–10 years
Tools	5–8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs (see note 3d(iii)). Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Patents and trademarks	10 years
Capitalised development costs	10 years

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value (see note 4(iii)), with any change therein recognised in profit or loss.

Property rented to a subsidiary and associated with the conduct of the Company's business activities, is accounted for as an item of property, plant and equipment. Investment property also includes property, of which more than 50% of the available surface area is leased out.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

g) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Company's statement of financial position. Investment property held under an operating lease is recognised in the Company's statement of financial position at its fair value.

h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average price method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Impairment losses on receivables are recognised in accordance with the item by item principle where bankruptcy procedures or compulsory compositions have been initiated, or on the basis of disputability or doubtfulness of receivables.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(iv) Provisions for retirement benefits and jubilee premiums

In accordance with the statutory requirements, the collective agreement, and the internal regulations, the Company is to pay to its employees jubilee premiums and retirement benefits. For these obligations, long-term provisions are created. Other retirement obligations do not exist.

Provisions are created by discounting, at the reporting date, the estimated future payments of retirement benefits and jubilee premiums. The obligation is calculated separately for each employee by estimating the costs of retirement benefits and the costs of all expected jubilee premiums until retirement. The selected annual discount rate is 5.40%, which is the rate of return on long-term entrepreneurial bonds in euro area. The calculation has been performed by a certified actuary using the projected unit method.

l) Revenue

(i) Revenue from the sale of products

Revenue from the sale of products, merchandise and materials in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The transfer of risks and rewards varies depending on the individual terms of the contract of sale. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Royalties (trademarks)

Royalties are recognised in profit or loss in accordance with terms of the relevant agreement; the sale generated on individual geographical area is used as the basis.

(iv) Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Company.

(v) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(vi) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

m) Finance income and finance expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, exchange gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, exchange losses, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying asset are recognised in profit or loss using the effective interest rate method.

n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill when it is not a deductible expense, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

p) Comparative information

Comparative information has been harmonised with the presentation of information in the current year. Where required, adjustment of comparative information has been carried out in order to comply with the presentation of information in the current year.

r) New standards and interpretations not yet adopted

Other than those adopted early as explained in note 2(e), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements of the Company. None of these will have an effect on the financial statements of the Company, except for Eligible Hedged Items - Amendment to IAS 39 Financial Instruments: Recognition and Measurement, which clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, which becomes mandatory for the Company's 2010 financial statements, is not expected to have a significant impact on the financial statements.

COMPANY - SUPPLEMENTS TO IAS

Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (effective for annual period beginning on or after 1 February 2010)

The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency, are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendments to IAS 32 are not relevant to the Company's financial statements as the Company has not issued such instruments at any time in the past.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2010)

The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.

The Company has not yet completed its analysis of the impact of the amendment to the Standard.

IFRIC 12 Service Concession Arrangements (effective for first annual reporting period beginning on or after 1 April 2009)

The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.

IFRIC 12 is not relevant to the Company's operations as the Company has not entered into any service concession arrangements.

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2010)

IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:

1. the agreement meets the definition of a construction contract in accordance with IAS 11.3;

2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and

3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.

In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g., upon completion of construction or upon delivery).

IFRIC 15 is not relevant to the Company's financial statements as the Company does not provide real estate construction services or develop real estate for sale.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 1 November 2009)

The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled, the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the interpretation. Further, since it relates to future dividends that will be at the discretion of the board of directors/shareholders, it is not possible to determine the effects of application in advance.

IFRIC 18 Transfers of Assets from Customers (effective prospectively for annual period beginning on or after 1 November 2009)

The Interpretation requires an entity that receives a contribution in the scope of the Interpretation to recognize the item as an asset at its fair value if the transferred item meets the criteria for property, plant, and equipment in IAS 16, *Property, Plant and Equipment.* The Interpretation also requires the entity to recognize the amount as revenue; the timing of revenue recognition depends on the facts and circumstances of the particular arrangement.

IFRIC 18 is not relevant to the Company's financial statements as the Company does not normally receive contributions from customers.

COMPANY - 4. DETERMINATION OF FAIR VALUE

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The items of property, plant and equipment are measured at cost.

(ii) Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every five years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(iv) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables are not discounted due to maturity. Impairment loss to fair value is considered.

(vi) Derivatives

The fair value of derivatives is estimated as the present value of estimated future cash flows, taking into account the market value of equivalent derivatives at the reporting date and using market interest rates for similar derivatives at the reporting date.

The fair value of financial instruments is determined on the basis of data provided by Reuters. The decisive values are those of the opposite forward exchange transactions with equal maturities effective at the reporting date. The fair value of forward exchange transactions at the reporting date is the difference between the value of actually concluded forward exchange transactions and the value of opposite forward exchange transactions at the reporting date, taking into consideration equal maturities of the individual forward exchange transactions.

Decisive are the values of interest transactions with equal maturities effective at the reporting date.

The fair value of interest rate swaps at the date of the statement of financial position is the discounted difference between the cash flow for interest under the interest rate swap contracts and the cash flow for interest under equivalent interest rate swap contracts at the date of the statement of financial position.

(vii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Loans and borrowings are measured, on the basis of recalculation, at effective interest rates that insignificantly differ from the contractual interest rates. Therefore the contractual interest rate is used in calculations.

COMPANY - 5. FINANCIAL RISK MANAGEMENT

In respect of financial risk management, the internal financial policies comprising the bases for efficient and systematic risk management were observed in 2009. The objectives of risk management are:

- to achieve stability of operations and to reduce risk exposure to an acceptable level,
- to increase the value of companies and the impact on their financial standing,
- to increase financial income and/or to decrease financial expenses, and
- to nullify and/or decrease the effects of exceptionally damaging events.

In the Company, the following key financial risks have been defined:

	Credit risk
	Currency risk
	Interest rate risk
Financial risks	Liquidity risk

The exposure to each of the above risks and the hedge measures to be applied are judged and implemented on the basis of their effects on the cash flows. To hedge against financial risks in the course of ordinary business activities, relevant hedging activities have been conducted in the area of operating, investing and financing activities.

In the light of the strained macroeconomic situation, more attention was paid in 2009 to the credit risk which includes all risks where the failure of a party (a buyer) to discharge contractual obligations results in a decrease in economic benefits of the Company. The credit risk was managed by application of the following sets of measures:

- insurance of a major portion of operating receivables against credit risk with Slovenska izvozna družba - Prva kreditna zavarovalnica d.d.;
- additional collateralisation of more risky trade receivables by bank guarantees and other security instruments;
- regular monitoring of operation and financial standing of new and existing business partners, and limitation of exposure to certain business partners;
- implementation of mutual and chain compensation with buyers;
- systematic and active control of credit limits and collection of receivables.

Taking into account the above mentioned hedge measures, the Company's management estimates that the exposure to credit risk has increased.

With regard to the geographic diversification of its operations, the Company is strongly exposed to currency risk, which is the risk that the economic benefits of the Company may be decreased due to changes in foreign exchange rates. When assessing the risks, balance sheet exposure has been considered. The currency risk mainly results from the performance of business activities in the markets of Great Britain, Poland, Hungary, Croatia, and the US dollar markets. A greater attention was paid to natural hedging of currency risks and harmonisation of business operations to ensure long-term decrease in currency fluctuation exposure by matching or netting sales and purchases. Additional short-term hedging is carried out by currency future contracts and short-term borrowings in currencies, to which the Company is exposed. Irrespective of measures taken to hedge against currency risk, the Company’s management estimates that, due to significant macroeconomic changes and oscillations in particular in the East European countries, the exposure to currency risk has increased.

In the last few years, great attention was paid to interest rate risk, which is the risk that the economic benefits of the Company may be decreased due to changes in interest rates in the market. In 2009 the volume of hedging against interest rate risk was decreased over the previous year's figure, so that the share of fixed interest rates and derivatives hedging against interest rate risk amounted to 40.00 percent of the Company's lending portfolio. A lower level of fixed interest rates results from a higher indebtedness of the Company and successive maturing of certain derivatives. The Company's management estimates that the exposure to interest rate risk has increased.

Liquidity risk is the risk that the Company will fail to meet commitments in stipulated period of time due to the lack of available funds.

Two credit lines in the amount of TEUR 101,126 mature in 2010. For this reason, the Company started debt rescheduling negotiations with the banks in the last quarter of 2009 and thus decreased its risk. The liquidity reserve as at 31 December 2009 in the amount of TEUR 64,637, consisting of unused revolving credit lines, short-term deposits with banks, and cash in banks, is used to ensure adequate short-term control of cash flows and to decrease short-term liquidity risk.

Short-term liquidity risk is estimated to have increased even though of cash management, adequate available credit lines for short-term control of cash flows, a high degree of financial flexibility, and a good access to financial markets and funds. The reason for an increase in short-term liquidity risk is a decrease in availability of sources of funds from business partners, both buyers and sellers.

Long-term liquidity risk is estimated as being moderate due to efficient operations, effective cash management, sustainable ability to generate cash flows from operating activities, and an adequate capital structure.

The Company's management estimates that the exposure to liquidity risk is moderate.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. As one of the strategic ratios, the Company defines the return on capital as net profit for the period attributable to majority shareholders divided by average shareholders' equity, excluding minority interests. The Company seeks to maintain a balance between the higher returns, which are rendered possible by a higher level of borrowings, and the advantages and security ensured by a strong capital structure. The Company's objective in the 2010-2013 Strategic Plan is to achieve a 5.2 percent rate of return on invested capital.

The dividend policy is based on the investment plans, optimum capital structure policy, and shareholders' expectations and interests. The amount of dividend per share is proposed by the Management Board and the Supervisory Board of the controlling company. Dividends are paid from the accumulated profit of the controlling company determined in accordance with the relevant regulations in Slovenia. The resolution on the appropriation of accumulated profit is adopted by the Shareholders' Meeting.

The Company has no employee share-owning scheme and no share option programme. There were no changes in the approach to capital management in 2009. Neither the controlling company nor its subsidiaries were subject to capital requirements determined by the regulatory authorities.

There are no provisions in the Articles of Incorporation that would invalidate the proportionality of rights arising from shares, such as the rights of minority shareholders or the limitation of voting rights, and there are not resolutions adopted on conditionally increased capital.

COMPANY - 6. SEGMENT REPORTING

The Company has no reportable segment. Segment information is presented in the consolidated financial statements.

COMPANY - 7. NOTE TO THE STATEMENT OF CASH FLOWS

The statement of cash flows has been compiled under the indirect method on the basis of the items in the statement of financial position at 31 December 2009, the statement of financial position at 31 December 2008, the income statement for the year ended 31 December 2009, and the additional information required for the adjustment of inflows and outflows.

COMPANY - NOTES TO THE INCOME STATEMENT ITEMS

COMPANY - REVENUE

Notes referred to income statement

Note 8 – Revenue 586,643 TEUR

in TEUR	2009	2008
Revenue from the sale of products – domestic market	28,638	34,496
Revenue from the sale of products – foreign market	380,310	511,617
Revenue from the sale of merchandise – domestic market	36,735	42,473
Revenue from the sale of merchandise – foreign market	91,066	111,300
Revenue from the sale of services – domestic market	12,144	11,924
Revenue from the sale of services – foreign market	6,248	11,784
Revenue from the sale of materials and work in progress – domestic market	9,105	15,750
Revenue from the sale of materials and work in progress – foreign market	22,397	24,762
Total	**586,643**	**764,106**

Revenue from the sale to subsidiaries in the Gorenje Group are recorded in the amount of TEUR 386,206 (2008: TEUR 427,209) showing a 9.60 percent decrease over 2008.

COMPANY - OTHER OPERATING INCOME

Note 9 – Other operating income 13,573 TEUR

in TEUR	2009	2008
Income from subsidies and donations	5,488	159
Income from license fees	961	1,102
Rental income	1,859	1,581
Income from compensation in damages	4,260	3,152
Income from reversal of long-term provisions	850	2,299
Income from valuation of investment property	0	2,154
Income from disposal of investment property	0	169
Gain on disposal of property, plant and equipment	41	417
Other operating income	114	163
Total	**13,573**	**11,196**

Income from license fees includes fees for the use of the Gorenje trademark rights. Income from compensation in damages includes damages charged to suppliers. Other operating income includes recovered written-off receivables.

Rental income

in TEUR	2009	2008
Rentals - up to 1 year (companies in the Gorenje Group)	1,731	1,462
Rentals - up to 1 year (other companies)	128	119
Expected rentals – from 2 to 5 years (companies in the Gorenje Group)	7,844	5,975
Expected rentals (other companies)	528	393
Total	**10,231**	**7,949**

Rental income mainly refers to real property that is partly used by the Company and partly leased out to subsidiaries.

COMPANY - COST OF GOODS, MATERIALS AND SERVICES

Note 10 – Cost of goods, materials and services 458,817 TEUR

in TEUR	2009	2008
Cost of goods sold	128,977	157,028
Cost of materials	257,153	354,356
Cost of services	72,687	102,602
Total	**458,817**	**613,986**

Cost of services includes cost of creation of provisions for warranties in the amount of TEUR 11,503 (in 2008: TEUR 12,820).

COMPANY - EMPLOYEE BENEFITS COST

Note 11 – Employee benefits expense 100,769 TEUR

in TEUR	2009	2008
Wages and salaries	70,414	77,106
Social security costs	13,797	16,642
Provisions for retirement benefits and jubilee premiums	908	733
Provisions for restructuring	1,585	0
Other employee benefits expense	14,065	15,824
Total	**100,769**	**110,305**

Social security costs include costs of voluntary, additional, collective pension insurance in the amount of TEUR 2,683 (in 2008: TEUR 3,087).

Provisions for restructuring are referring to adjustment of activity extent and to partial production removal of refrigerator-freezers to Valjevo in year 2010.

Other employee benefits expense includes costs of annual leave bonus, meals allowance, commuting allowance, and other work-related payments to employees.

COMPANY - AMORTISATION AND DEPRECIATION EXPENSE

Note 12 – Amortisation and depreciation expense 32,801 TEUR

In TEUR	2009	2008
Amortisation expense of intangible assets	3,285	3,832
Depreciation expenses of property, plant and equipment	29,516	31,773
Total	**32,801**	**35,605**

COMPANY - OTHER OPERATING EXPENSES

Note 13 – Other operating expenses 4,575 TEUR

in TEUR	2009	2008
Impairment of assets	3	73
Write-down of inventories to net realisable value	1,133	579
Other taxes and charges	1,085	1,320
Environmental levies	665	438
Scholarships	115	183
Creation of provisions for litigations	1,072	190
Other operating expenses	502	572
Total	**4,575**	**3,355**

Other taxes and charges include charges for the use of building plot, water charge, environmental taxes, and other mandatory taxes and charges. Other operating expenses mainly include compensations in respect of accidents at work in the amount of TEUR 292 (in 2008: TEUR 389).

COMPANY - NET FINANCE INCOME

Note 14 – Net finance income 1,075 TEUR

Finance income 26,835 TEUR

in TEUR	2009	2008
Dividend income and income from other profit shares	6,322	7,443
Interest income from transactions with Group companies	2,878	2,378
Interest income from transactions with other entities	1,204	1,089
Income from interest rate swap transactions	1,252	2,048
Income from net exchange differences	1,747	0
Change in fair value of interest rate swaps	0	327
Gain on disposal of subsidiaries	5,677	3,382
Gain on disposal of available-for-sale investments	3,169	4,066
Income from forward exchange transactions	4,273	1,285
Change in fair value of forward exchange transactions	0	2,821
Other finance income	313	134
Total	**26,835**	**24,973**

Other finance income mostly includes income from commissions for loan guarantees issued to subsidiaries and other entities.

Finance expenses 25,760 TEUR

in TEUR	2009	2008
Interest expenses from transactions with Group companies	1,132	816
Interest expenses from transactions with other entities	11,459	15,514
Expenses from interest rate swap transactions	1,096	0
Change in fair value of interest rate swaps	526	0
Expenses for net exchange differences	0	4,047
Expenses from forward exchange transactions	740	1,267
Change in fair value of forward exchange transactions	3,507	0
Impairment loss on investments	2,068	4,809
Impairment loss on trade receivables	2,917	310
Impairment loss on loans	2,000	0
Other finance expenses	315	420
Total	**25,760**	**27,183**

Impairment loss on investments in the amount of TEUR 2,068 (in 2008: TEUR 4,809) refers to available-for-sale financial assets that were revalued to market value. Impairment of trade receivables in the amount of TEUR 4,917 (in 2008: TEUR 310) provides for fair value of trade receivables and loans.

Finance income and expenses recognised directly in other comprehensive income (net)

in TEUR	2009	2008
Net change in effective portion of gains and losses on hedging instruments in a cash flow hedge	2,659	-8,576
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	-1,611	-84
Net change in fair value of available-for-sale financial assets	-662	-2,947
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-2,746	-1,785
Finance expenses recognised in other comprehensive income	**-2,360**	**-13,392**

In the above table, net effect from the statement of comprehensive income is shown, which does not only include the change in fair value of land.

COMPANY - INCOME TAX EXPENSE

Note 15 – Income tax expense -2,656 TEUR

Due to a tax loss in the amount of TEUR 6,680, income tax expense is recorded based on deferred tax assets and deferred tax liabilities.

in TEUR	2009	2008
Current tax expense	0	728
Deferred tax assets (through income statement)	-2,656	-816
Deferred tax liabilities (through income statement)	0	0
Total	**-2,656**	**-88**

Presentation of effective income tax rates calculated on the basis of commercial balance sheet:

in TEUR	2009	2009	2008	2008
Profit excluding income tax		**-8,740**		**11,884**
Income tax using the domestic tax rate	21.00%	-1,835	22.00%	2,614
Non-deductible expenses	-20.91%	1,828	19.19%	2,281
Tax exempt income	23.18%	-2,026	-18.15%	-2,157
Tax incentives	7.12%	-623	-23.78%	-2,826
Income tax expense	**30.39%**	**-2,656**	**-0.74%**	**-88**

The following deferred tax amounts were recognised in other comprehensive income:

in TEUR	2009		
	Pre-tax amount	**Tax**	**After-tax amount**
Change in fair value of available-for-sale financial assets	-843	181	-662
Change in fair value of available-for-sale financial assets transferred to profit or loss	-3,097	351	-2,746
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	597	2,062	2,659
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	-1,611	0	-1,611
Change in fair value of land	0	74	74
Total	**-4,954**	**2,668**	**-2,286**

in TEUR	2008		
	Pre-tax amount	**Tax**	**After-tax amount**
Change in fair value of available-for-sale financial assets	-3,883	936	-2,947
Change in fair value of available-for-sale financial assets transferred to profit or loss	-2,288	503	-1,785
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-8,576	0	-8,576
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	-84	0	-84
Change in fair value of land	7,454	-1,639	5,815
Total	**-7,377**	**-200**	**-7,577**

COMPANY - NOTES TO THE FINANCIAL POSITION ITEMS

COMPANY - INTANGIBLE ASSETS

Notes referred to statement of financial position

Note 16 – Intangible assets **15,999 TEUR**

in TEUR	2009	2008
Long-term deferred development costs	9,610	11,064
Long-term industrial property rights	5,826	6,318
Intangible assets under construction	563	58
Total	**15,999**	**17,440**

Changes in intangible assets in 2009

in TEUR	Long-term deferred development costs	Long-term industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2009	**19,907**	**15,811**	**58**	**35,776**
Additions			1,844	**1,844**
Disposals, writedowns		-2		**-2**
Transfers	436	903	-1,339	**0**
Cost at 31 Dec 2009	**20,343**	**16,712**	**563**	**37,618**
Accum. amortisation at 1 Jan 2009	**8,843**	**9,493**		**18,336**
Disposals, writedowns		-2		**-2**
Amortisation expense	1,890	1,395		**3,285**
Accum. amortisation at 31 Dec 2009	**10,733**	**10,886**	**0**	**21,619**
Carrying amount at 1 Jan 2009	**11,064**	**6,318**	**58**	**17,440**
Carrying amount at 31 Dec 2009	**9,610**	**5,826**	**563**	**15,999**

Changes in intangible assets in 2008

in TEUR	Long-term deferred development costs	Long-term industrial property rights	Intangible assets under construction	Total
Cost at 1 Jan 2008	**18,242**	**14,164**	**360**	**32,766**
Additions			3,035	**3,035**
Disposals, writedowns		-25		**-25**
Transfers	1,665	1,672	-3,337	**0**
Cost at 31 Dec 2008	**19,907**	**15,811**	**58**	**35,776**
Accum. amortisation at 1 Jan 2008	**6,851**	**7,672**		**14,523**
Disposals, writedowns		-19		**-19**
Amortisation expense	1,992	1,840		**3,832**
Accum. amortisation at 31 Dec 2008	**8,843**	**9,493**	**0**	**18,336**
Carrying amount at 1 Jan 2008	**11,391**	**6,492**	**360**	**18,243**
Carrying amount at 31 Dec 2008	**11,064**	**6,318**	**58**	**17,440**

An increase in long-term deferred development costs is largely due to the development of packaging in the amount of TEUR 297. Long-term industrial property rights include an overhaul of the planning system in the amount of TEUR 534 and an upgrade of the computer software in the amount of TEUR 349. Intangible assets under construction include combined refrigerators (width 750) for the US market in the amount of TEUR 370.

COMPANY - PROPERTY, PLANT AND EQUIPMENT

Note 17 – Property, plant and equipment (PPE) 172,267 TEUR

in TEUR	2009	2008
Land	20,118	20,118
Buildings	59,382	58,307
Production and other equipment	90,737	108,965
Property, plant and equipment under construction	2,030	8,302
Total	**172,267**	**195,692**

Changes in property, plant and equipment in 2009

in TEUR	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2009	**20,118**	**145,717**	**414,586**	**8,302**	**588,723**
Additions				6,743	**6,743**
Revaluation					**0**
Disposals, writedowns		-3	-4,147		**-4,150**
Transfers		4,581	8,434	-13,015	**0**
Reposting to investment property					**0**
Cost at 31 Dec 2009	**20,118**	**150,295**	**418,873**	**2,030**	**591,316**
Accum. depreciation at 1 Jan 2009		**87,410**	**305,621**		**393,031**
Disposals, writedowns		-3	-3,495		**-3,498**
Reposting to investment property					**0**
Depreciation expense		3,506	26,010		**29,516**
Accum. depreciation at 31 Dec 2009		**90,913**	**328,136**		**419,049**
Carrying amount at 1 Jan 2009	**20,118**	**58,307**	**108,965**	**8,302**	**195,692**
Carrying amount at 31 Dec 2009	**20,118**	**59,382**	**90,737**	**2,030**	**172,267**

Changes in property, plant and equipment in 2008

in TEUR	Land	Buildings	Production and other equipment	PPE under construction	Total
Cost at 1 Jan 2008	**12,954**	**150,833**	**396,522**	**4,613**	**564,922**
Additions				**33,196**	**33,196**
Revaluation	7,455				**7,455**
Disposals, writedowns	-291	-7,125	-9,365		**-16,781**
Transfers		2,078	27,429	**-29,507**	**0**
Reposting to investment property		-69			**-69**
Cost at 31 Dec 2008	**20,118**	**145,717**	**414,586**	**8,302**	**588,723**
Accum. depreciation at 1 Jan 2008		**88,954**	**286,576**		**375,530**
Disposals, writedowns		-5,249	-9,068		**-14,317**
Reposting to investment property		45			**45**
Depreciation expense		3,660	28,113		**31,773**
Accum. depreciation at 31 Dec 2008		**87,410**	**305,621**	**0**	**393,031**

Carrying amount at 1 Jan 2008	**12,954**	**61,879**	**109,946**	**4,613**	**189,392**
Carrying amount at 31 Dec 2008	**20,118**	**58,307**	**108,965**	**8,302**	**195,692**

Buildings 59,382 TEUR

Additions to buildings include the completion of a warehouse for household appliances in the amount of TEUR 4,078.

A decrease in value is due to depreciation.

No real property has been pledged as security for liabilities arising from borrowings. Borrowings secured by real property were repaid on 3 January 2008 in the amount of TEUR 164.

Production and other equipment 90,737 TEUR

Additions include capitalised technological equipment acquired and commissioned in 2009 and computer hardware acquired within the annual upgrade of computer software and technology equipment. In 2009, the reconstruction and upgrade of production equipment was carried out in the amount of EUR 2.5 million; investments in new tools amounted to EUR 2.6 million, in computer equipment to TEUR 538, and computer-assisted production equipment to TEUR 112. Transportation means in all programmes were upgraded in the total amount of EUR 1.2 million.

Disposals and writedowns include reposting of transportation means and office equipment in the amount of TEUR 351, which at the same time increases the value of transfers and/or capitalisations.

A decrease in value is due to the sale of equipment, disposal of obsolete equipment, and depreciation.

Property, plant and equipment under construction **2,030 TEUR**

Property, plant and equipment under construction mainly include equipment for production of combined refrigerators, width 750, for the US market.

In 2008, land was appraised on the basis of fair value determined by an independent certified appraiser of real property. The effect of revaluation to fair value amounted to TEUR 7,455. The conditions for impairment were not established.

In 2009, the appraisal of property, plant and equipment to determine their recoverable value was carried out. No conditions for impairment were established.

COMPANY - INVESTMENT PROPERTY

Note 18 – Investment property 4,462 TEUR

in TEUR	2009	2008
Land	3,752	3,752
Buildings	710	710
Total	**4,462**	**4,462**

Investment property includes land and buildings intended for sale or to increase investment property. In 2008, investment property was appraised by an independent certified appraiser to determine fair value recognised in profit or loss.

Changes in investment property

in TEUR	2009	2008
Opening balance at 1 January	4,462	2,698
Additions	0	249
Revaluation	0	2,154
Disposals	0	-753
Transfer from property, plant and equipment	0	114
Closing balance at 31 December	**4,462**	**4,462**

COMPANY - INVESTMENTS IN SUBSIDIARIES

Note 19 – Investments in subsidiaries 232.375 TEUR

in TEUR	Equity share	Investment at 31 Dec 2009	Investment at 31 Dec 2008
Gorenje I.P.C.. d.o.o.. Velenje	100.00 %	377	377
LINEA SP. d.o.o.. Velenje	0.00 %	0	125
Gorenje GTI. d.o.o.. Velenje	100.00 %	8,795	8,795
Gorenje Gostinstvo. d.o.o.. Velenje	100.00 %	5,958	5,958
Gorenje Orodjarna. d.o.o.. Velenje	100.00 %	3,038	3,038
Indop. d.o.o.. Šoštanj	100.00 %	1,000	1,000
Gorenje Notranja oprema. d.o.o.. Velenje	99.89 %	18,215	18,215
Gorenje Tiki. d.o.o.. Ljubljana	99.98 %	7,001	7,001
Energygor. d.o.o.. Velenje	100.00 %	58	58
Kemis. d.o.o.. Radomlje	100.00 %	1,353	1,353
Surovina. d.d.. Maribor	51.00 %	12,036	12,036
ERICo. d.o.o.. Velenje	51.00 %	256	256
ZEOS. d.o.o.. Ljubljana	51.00 %	242	242
Gorenje Zagreb. d.o.o.. Croatia	100.00 %	14,553	12,604
Gorenje Skopje. d.o.o.. Macedonia	100.00 %	538	538
Gorenje Beteiligungs GmbH. Austria	0.00 %	0	31,257
Gorenje Tiki. d.o.o.. Serbia	86.22 %	10,947	7,947
Mora Moravia. a.s.. Czech Republic	67.95 %	8,750	8,750
STB Nekretnine. d.o.o.. Serbia	1.60 %	50	50
Istrabenz Gorenje energetski sistemi. d.o.o.. Ljubljana	49.34 %	5,755	5,755
Gorenje Projekt d.o.o.. Ljubljana	100.00 %	87	87
Publicus. d.o.o.. Ljubljana	51.00 %	2,000	2,000
Gorenje design studio. d.o.o.. Velenje	52.00 %	260	260
ATAG Europe B V. The Netherlands	0.00 %	0	131,038
Gorenje Nederland B.V.. The Netherlands	100.00 %	131,106	90
Total		**232,375**	**258,830**

Changes in investments in subsidiaries in 2009

in TEUR	Investments in subsidiaries
Balance at 1 Jan 2009	**258,830**
Increase	12,193
Transfer	0
Decrease	-38,648
Balance at 31 Dec 2009	**232,375**

Increase in investments in subsidiaries in the Group includes:

- capital increase in the subsidiary Gorenje Zagreb, d.o.o., Croatia, in the amount of TEUR 1,949,
- capital increase in the subsidiary Gorenje Beteiligungs GmbH, Austria, in the amount of TEUR 7,244,
- capital increase in the subsidiary Gorenje Tiki, d.o.o., Serbia, in the amount of TEUR 3,000.

Decrease in investments in subsidiaries in the Group is due to the sale of the subsidiary Linea SP, d.o.o. and the subsidiary Gorenje Beteiligungs GmbH, Austria, which was sold to the subsidiary Gorenje Nederland B.V. for EUR 42.4 million. At the same time, Gorenje Nederland B.V. became the sole owner of the Atag Group, which means a unified monitoring and managing of the distribution companies network of the Division Household Appliances within one company. The holding company is the sole owner of Gorenje Nederland B.V..

COMPANY - OTHER NON-CURRENT INVESTMENTS

Note 20 – Other non-current investments 1,773 TEUR

Other non-current investments include long-term loans in the amount of TEUR 1,083 (31 Dec 2008: TEUR 1,494) and other non-current investments in the amount of TEUR 690 (31 Dec 2008: TEUR 5,950). Long-term receivables in the amount of TEUR 5,261 were transferred to current investments owing to their maturity.

As for non-current investments, the Company is not exposed to higher financial risks because most of these investments are made in subsidiaries. Long-term loans to other entities are to a great extent secured by bills.

Changes in other non-current investments

in TEUR	2009	2008
Opening balance at 1 January	5,950	10,176
Increase	1	5,269
Decrease	0	0
Transfer to current investments	-5,261	-9,495
Closing balance at 31 December	**690**	**5,950**

Changes in long-term loans

in TEUR	2009	2008
Opening balance at 1 January	1,494	2,031
Increase	100	15,000
Decrease	-400	-136
Transfer to current investments	-111	-15,401
Closing balance at 31 December	**1,083**	**1,494**

Long-term loans by maturity

in TEUR	2009	2008
Maturity from 1 to 2 years	486	426
Maturity from 2 to 3 years	432	452
Maturity from 3 to 4 years	0	418
Maturity from 4 to 5 years	0	0
Maturity over 5 years	165	198
Total	**1,083**	**1,494**

Long-term loans bear interest at the nominal interest rate ranging from 3.256 % to 6.50 %. Loans with a maturity over 5 years include housing loans under the Housing Act of 1991.

Long-term loans to specific groups of persons

No long-term loans were granted to the members of the Management Board and the Supervisory Board, and internal owners.

COMPANY - DEFERRED TAX ASSETS AND LIABILITIES

Note 21 – Deferred tax assets and liabilities

	Tax assets		Tax liabilities		Tax assets – Tax liabilities	
in TEUR	2009	2008	2009	2008	2009	2008
PPE	87	66	1,565	1,640	-1,478	-1,574
Investments	1,450	1,060	-85	447	1,535	613
Receivables	662	373			662	373
Inventories		76				76
Liabilities from litigations		12				12
Provisions for retirement benefits and jubilee premiums	2,220	2,343			2,220	2,343
Provisions for warranties	1,482	1,343			1,482	1,343
Unused tax losses	1,403				1,403	
Unused tax incentives	623				623	
Cash flow hedge – interest rate swaps	2,062				2,062	
Total	**9,989**	**5,273**	**1,480**	**2,087**	**8,509**	**3,186**

	Tax assets – Tax liabilities		Through profit or loss		Through other comprehensive income	
in TEUR	2009	2008	2009	2008	2009	2008
PPE	-1,478	-1,574	22	41	74	-1,640
Investments	1,535	613	392	1,017	532	1,440
Receivables	662	373	289	-81		
Inventories		76	-76	-11		
Liabilities from litigations		12	-13	-23		
Provisions for retirement benefits and jubilee premiums	2,220	2,343	-123	-110		
Provisions for warranties	1,482	1,343	139	-17		
Unused tax losses	1,403		1,403			
Unused tax incentives	623		623			
Cash flow hedge – interest rate swaps	2,062				2,062	
Total	**8,509**	**3,186**	**2,656**	**816**	**2,668**	**-200**

COMPANY - INVENTORIES

Note 22 – Inventories 75,215 TEUR

in TEUR	2009	2008
Materials	42,242	54,820
Work in progress	9,109	10,146
Products	16,374	28,492
Merchandise	6,396	7,219
Advances	1,094	5,271
Total	**75,215**	**105,948**

The book value of inventories of products where corrections were made from production cost to net realisable value amounts to TEUR 2,736.

COMPANY - CURRENT INVESTMENTS

Note 23 – Current investments 87,684 TEUR

in TEUR	2009	2008
Available-for-sale financial assets	12,175	18,353
Short-term loans	70,532	62,818
Short-term interest receivable	309	462
Other short-term receivables from investments	4,668	5,184
Total	**87,684**	**86,817**

Other short-term receivables from investments include receivables transferred from non-current to current investments owing to their maturity less payments received. They refer to non-operating assets disposed in 2008.

Changes in available-for-sale shares and interests

in TEUR	2009	2008
Opening balance at 1 January	18,353	16,016
Increase	160	5,869
Decrease	-3,538	-4,332
Transfer from non-current investments	0	9,495
Increase in value / Impairment	-2,800	-8,695
Closing balance at 31 December	**12,175**	**18,353**

A portion of available-for-sale shares and interests was sold and gain on disposal of these shares and interests amounted to TEUR 3,169. Impairment loss in the amount of TEUR 2,068 was recorded under financial expenses and impairment loss in the amount of TEUR 843 was recorded in the statement of comprehensive income as net change in fair value.

Short-term loans

in TEUR	2009	2008
Short-term portion of long-term loans to companies in the Gorenje Group	100	16,437
Short-term loans to companies in the Gorenje Group	39,672	29,521
Short-term portion of long-term loans to other entities	420	402
Short-term loans to other entities	15,218	15,888
Short-term deposits with banks	15,122	570
Total	**70,532**	**62,818**

Short-term loans bear interest at a nominal interest rate ranging from 3.176 % to 7.5 %.

As for short-term loans, the Company is not exposed to higher financial risks because most of these loans are granted to subsidiaries. Short-term loans to other entities are secured by bills.

Short-term loans to specific groups of persons

No short-term loans were granted to the members of the Management Board and the Supervisory Board, and internal owners.

COMPANY - TRADE RECEIVABLES

Note 24 – Trade receivables 165,181 TEUR

in TEUR	2009	2008
Trade receivables – companies in the Gorenje Group	115,745	108,146
Trade receivables – other companies	49,436	64,181
Total	**165,181**	**172,327**

Short-term trade receivables due from Group companies

in TEUR	2009	2008
Trade receivables – domestic market	6,616	5,446
Trade receivables – foreign market	109,129	102,700
Total	**115,745**	**108,146**

Short-term trade receivables due from Group companies – domestic market

in TEUR

Company	2009	2008
Gorenje Tiki, d.o.o., Ljubljana	583	232
Gorenje Gostinstvo, d.o.o., Velenje	50	46
Gorenje Notranja oprema, d.o.o., Velenje	270	146
Gorenje I.P.C., d.o.o.,Velenje	2,311	1,497
Gorenje GTI, d.o.o., Velenje	2,182	2,608
LINEA SP, d.o.o., Velenje	0	28
Gorenje Orodjarna, d.o.o., Velenje	193	50
Indop, d.o.o., Šoštanj	747	588
Kemis, d.o.o., Radomlje	6	3
Energygor, d.o.o., Velenje	7	0
GEN–I, d.o.o., Krško	1	1
ZEOS, d.o.o., Ljubljana	6	6
ERICo, d.o.o., Velenje	1	-1
Surovina, d.d., Maribor	223	213
Gorenje design studio, d.o.o., Velenje	35	25
PUBLICUS, d.o.o., Ljubljana	1	4
Total	**6,616**	**5,446**

Short-term trade receivables due from Group companies – foreign market

in TEUR

Company	2009	2008
Gorenje Slovakia s.r.o., Slovak Republic	3,113	2,946
Gorenje spol. s.r.o., Czech Republic	-36	1,998
Gorenje Skopje, d.o.o., Macedonia	1,446	1,137
Gorenje Zagreb, d.o.o., Croatia	21,973	15,236
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1,288	4,258
Gorenje Podgorica, d.o.o., Montenegro	3,923	3,875
Gorenje Budapest Kft., Hungary	4,563	3,852
Gorenje Polska Sp.z.o.o., Poland	8,272	9,316
Gorenje Bulgaria EOOD, Bulgaria	971	2,174
Gorenje d.o.o., Serbia	5,049	7,275
Gorenje Belux S.a.r.l., Belgium	863	980
Gorenje Vertriebs GmbH, Germany	15,364	13,425
Gorenje Koerting Italia S.r.l., Italy	3,562	2,669
Gorenje Austria Handels GmbH, Austria	2,892	1,376
Gorenje Beteiligungs GmbH, Austria	8	2,245
Gorenje Skandinavien A/S, Denmark	13,195	13,190
Gorenje France S.A.S., France	7,393	8,366
Gorenje UK Ltd., Great Britain	1,749	1,871
Mora Moravia, a.s., Czech Republic	555	187
Gorenje aparati za domaćinstvo, d.o.o., Serbia	3,519	5,297
Gorenje Espana, s.l., Spain	1,285	1,116
Gorenje Tiki, d.o.o., Stara Pazova	40	17
Gorenje Istanbul Ltd., Turkey	2,328	1,364
Gorenje Gulf FZE, United Arab Emirates	744	273
Gorenje Invest, d.o.o., Serbia	1	13
GEN-I , Kft, Hungary	1	1
ATAG Nederland BV, The Netherlands	234	321
Gorenje Romania S.R.L. Rumania	1	0

Kemis-Termoclean, d.o.o., Croatia	2	0
Gorenje - real spol, s.r.o., Czech Republic	1	0
Gorenje - kuchyne spol,s.r.o., Czech Republic	1	0
Gorenje Nederland B.V., The Netherlands	208	0
Gorenje TOV, Ukraina	39	0
OOO Gorenje BT, Russia	4,358	0
Kemis BH, d.o.o., Bosnia and Herzegovina	1	0
Revaluation	223	-2,078
Total	**109,129**	**102,700**

COMPANY - OTHER CURRENT ASSETS

Note 25 – Other current assets 10,789 TEUR

in TEUR	2009	2008
Advances for services	1,909	3,644
Other current assets	7,835	13,310
Current tax receivable	347	708
Short-term deferred costs and expenses	698	1,871
Total	**10,789**	**19,533**

Advances for services mainly include advances for coal transportation in the amount of TEUR 1,764 (31 Dec 2008: TEUR 2,969).

Other current assets include input VAT receivable in the Republic of Slovenia in the amount of TEUR 3,286 (31 Dec 2008: TEUR 5,707), VAT receivable in foreign countries in the amount of TEUR 1,326 TEUR (31 Dec 2008: TEUR 1,749), and receivables not yet charged in the amount of TEUR 1,391 and arising from uncompleted projects in the INDOP programme (31 Dec 2008: TEUR 2,138).

Short-term deferred costs include deferred costs referring to subsequent periods.

COMPANY - CASH AND CASH EQUIVALENTS

Note 26 – Cash and cash equivalents 86 TEUR

in TEUR	2009	2008
Cash in hand and readily liquid securities	27	3
Cash in banks	59	71
Total	**86**	**74**

COMPANY - EQUITY

Note 27 – Equity 304,196 TEUR

In accordance with the resolution of the 10th Shareholders' Meeting of Gorenje, d.d. on 12 December 2006 and the District Court Order of 7 November 2007 on the change in share capital, the share capital was increased by 1,830,000 ordinary, freely transferable, no par value shares. At 31 December 2009, the share capital of Gorenje, d.d. amounted to EUR 58,546,152.56 (at 31 December 2008: EUR 58,546.152.56) and was divided into 14,030,000 ordinary, freely transferable, no par value shares.

Capital surplus (share premium) in the amount of TEUR 140,624 includes paid-in surplus in excess of par value of shares in the amount of TEUR 47,264, surplus in excess of book value of disposed own shares in the amount of TEUR 15,313 (1,070,000 own shares were disposed in 2008 in order to acquire the ATAG company), and general equity revaluation adjustment in the amount of TEUR 78,048 transferred upon the transition to IFRS.

Legal and statutory reserves in the amount of TEUR 21,697 include legal reserves in the amount of TEUR 12,895 (31 December 2008: TEUR 12,895), reserves for own shares in the amount of TEUR 3,170 (31 December 2008: TEUR 3,170), and statutory reserves in the amount of TEUR 5,632 (31 December 2008: TEUR 5,632).

Pursuant to the Companies Act, retained earnings in the amount of TEUR 87,975 consist of other revenue reserves in the amount of TEUR 87,047 (31 Dec 2008: TEUR 58,996) created on the basis of resolutions on the appropriation of profit for the period adopted by the Company's Management Board and Supervisory Board and resolutions on the appropriation of accumulated profit adopted by the Shareholders' Meeting, and determined accumulated profit in the amount of TEUR 928.

Fair value reserve amounting to TEUR -1,476 as at 31 December 2009 includes a surplus from revaluation of land which is measured using the revaluation model, a change in fair value of available-for-sale investments, and a change in value of cash flow hedge shown in a separate table.

Own shares in the amount of TEUR -3,170 are stated as a deductible item of equity and recorded at cost.

Changes in fair value reserve:

in TEUR	Reserve for fair value of land	Reserve for fair value of available-for-sale financial assets	Reserve for fair value of derivatives	Reserve for fair value of investments in subsidiaries	Total
Balance at 1 Jan 2009	**5,814**	**1,584**	**-8,804**	**2,216**	**810**
Revaluation of land	0	0	0	0	0
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-1,014	0	-1,014
Change in fair value of available-for-sale financial assets	0	-843	0	0	-843
Disposal of available-for-sale financial assets	0	-1,594	0	0	-1,594
Impairment of available-for-sale financial assets	0	0	0	0	0
Disposal of a subsidiary	0	0	0	-1,503	-1,503
Deferred taxes	74	532	2,062	0	2,668
Balance at 31 Dec 2009	**5,888**	**-321**	**-7,756**	**713**	**-1,476**

in TEUR	Reserve for fair value of land	Reserve for fair value of available-for-sale financial assets	Reserve for fair value of derivatives	Reserve for fair value of investments in subsidiaries	Total
Balance at 1 Jan 2008	**0**	**6,315**	**-144**	**2,216**	**8,387**
Revaluation of land	7,454	0	0	0	7,454
Disposal of land	0	0	0	0	0
Change in fair value of cash flow hedge	0	0	-8,660	0	-8,660
Change in fair value of available-for-sale financial assets	0	-3,883	0	0	-3,883
Disposal of available-for-sale financial assets	0	-2,288	0	0	-2,288
Impairment of available-for-sale financial assets	0	0	0	0	0
Deferred taxes	-1,640	1,440	0	0	-200
Balance at 31 Dec 2008	**5,814**	**1,584**	**-8,804**	**2,216**	**810**

Own shares:

Number of shares	1 Jan 2009	Purchase	Sale	31 Dec 2009
Repurchased own shares	121,311	0	0	121,311

Earnings per share amounted to EUR -0.44 (in 2008: EUR 0.89).

To determine earnings per share, the following data on net profit or loss and average number of shares were used:

in TEUR	2009	2008
Net profit or loss	-6,084	11,972
Weighted average number of shares	13,908,689	13,469,497
Earnings per share	**-0.44**	**0.89**

No preference shares are issued, hence basic and diluted earnings per share are equal.

Dividends: dividends were not paid in 2009 (in 2008: EUR 0.45 gross per share).

COMPANY - DETERMINATION OF ACCUMULATED PROFIT AND PROPOSAL FOR ITS APPROPRIATION IN LINE WITH THE COMPANIES ACT

Note 28 - Determination of accumulated profit and proposal for its appropriation in line with the Companies Act

Pursuant to the Companies Act, the Management Board decided to cover net loss for 2009 in the amount of EUR 6,083,995.50 by charging it against retained earnings in the amount of EUR 7,012,593.42.

Determination of accumulated profit for 2009 is shown below:

	in EUR
Net profit or loss for the period	-6,083,995.50
+ retained earnings	7,012,593.42
= accumulated profit	**928,597.92**

The Management Board and the Supervisory Board have proposed to the Shareholders' Meeting that the accumulated profit for 2009 in the amount of EUR 928,597.92 remain unappropriated.

COMPANY - PROVISIONS

Note 29 – Provisions 26,113 TEUR

in TEUR	2009	2008
Provisions for warranties	12,707	11,773
Provisions for retirement benefits and jubilee premiums	11,458	11,143
Other provisions	1,948	1,271
Total	**26,113**	**24,187**

Changes in provisions in 2009

in TEUR	Balance 1 Jan 2009	Use	Reversal	Creation	Balance 31 Dec 2009
Provisions for warranties	11,773	-9,989	-580	11,503	12,707
Provisions for retirement benefits and jubilee premiums	11,143	-593		908	11,458
Other provisions	1,271	-125	-270	1,072	1,948
Total	**24,187**	**-10,707**	**-850**	**13,483**	**26,113**

Changes in provisions in 2008

in TEUR	Balance 1 Jan 2008	Use	Reversal	Creation	Balance 31 Dec 2008
Provisions for warranties	13,553	-12,632	-1,968	12,820	11,773
Provisions for retirement benefits and jubilee premiums	10,827	-417	0	733	11,143
Other provisions	1,832	-420	-331	190	1,271
Total	**26,212**	**-13,469**	**-2,299**	**13,743**	**24,187**

Long-term provisions for warranties were created on the basis of estimated costs of warranties calculated by taking into account the past known data on the quality level of products and the costs of repairs under warranties. The actuarial calculation of estimated future payments of retirement benefits and jubilee premiums was made as at 31 December 2009. In 2009, provisions were created in the amount of TEUR 908 (in 2008: TEUR 733) and charged against profit or loss for the period. A rise in provisions was due to a lower discount rate (in 2009: 5.4%; in 2008: 7.6%) and a yearly increase in provisions for employees. Other provisions include provisions for claims filed with the court.

COMPANY - NON-CURRENT FINANCIAL LIABILITIES

Note 30 – Non-current financial liabilities 144,190 TEUR

in TEUR	2009	2008
Non-current financial liabilities to banks	203,104	257,624
Non-current financial liabilities to other entities	12	12
Short-term portion of non-current financial liabilities	-59,026	-62,008
Long-term finance lease	100	88
Total	**144,190**	**195,716**

Non-current financial liabilities are denominated in euro. At the year end 2009, borrowings bore interest at the variable interest rate ranging from 1.4 % to 5.6 %.

Non-current financial liabilities by maturity

in TEUR	2009	2008
Maturity from 1 to 2 years	65,015	62,919
Maturity from 2 to 3 years	41,136	66,882
Maturity from 3 to 4 years	20,849	40,039
Maturity from 4 to 5 years	17,178	21,109
Maturity over 5 years	12	4,679
Total	**144,190**	**195,628**

Collateralisation of non-current financial liabilities

in TEUR	2009	2008
Bills	144,178	194,189
Pari-Passu Clause, Negative Pledge Clause	141,911	181,376
Financial covenants (ratios)	137,711	177,597
Guarantee Scheme of the Republic of Slovenia	24,500	0

The major portion of borrowings is collateralised by blank bills, financial covenants, and the Pari-Passu and Negative Pledge clauses, as stipulated in individual contracts. Some borrowings are simultaneously secured by several types of collaterals. The provision of collateral through the Guarantee Scheme of the Republic of Slovenia includes the nominal value of borrowing secured by a guarantee through the Guarantee Scheme of the Republic of Slovenia. The average amount of a Guarantee Scheme of the Republic of Slovenia is 30 percent.

COMPANY - CURRENT FINANCIAL LIABILITIES

Note 31 – Current financial liabilities 136,792 TEUR

in TEUR	2009	2008
Short-term borrowings from banks	42,100	71,029
Short-term borrowings from related companies	21,872	18,132
Current interest payable	352	840
Current dividends payable	175	176
Current portion of non-current financial liabilities	59,026	62,008
Other current financial liabilities	13,267	10,542
Total	**136,792**	**162,727**

Other current financial liabilities include liabilities from derivatives used to hedge liabilities in amount of TEUR 10,267 and capital increase of Gorenje Tiki, d.o.o., Serbia, not yet paid up.

As at 31 December 2009, forward exchange contracts were concluded for the total value of hedged items in the amount of TEUR 8,580. The forward exchange contracts were used in the financial year 2009 to hedge against the change in foreign exchange rates: EUR/PLN, EUR/AUD, EUR/USD, EUR/HRK, EUR/HUF, EUR/GBP, and EUR/RSD. At the year end, hedging of the following foreign exchange rates was recorded: EUR/USD and EUR/HUF. Maturities of forward contracts are short (up to one year).

The total value of hedged items as at 31 December 2009, for which interest rate swap contracts were concluded, amounted to TEUR 106,071. The interest rate swap contracts are used to hedge against the fluctuation of the variable interest rate EURIBOR. Maturities of interest rate swap contracts are long, i.e. progressively until 31 January 2012.

Collateralisation of current financial liabilities

in TEUR	2009	2008
Bills	101,126	131,965
Pari-Passu Clause, Negative Pledge Clause	95,558	80,554
Financial covenants (ratios)	65,627	62,003

A significant portion of borrowings is collateralised by blank bills, financial covenants, and the Pari-Passu and Negative Pledge clauses, as stipulated in individual contracts. Some borrowings are simultaneously secured by several types of collaterals.

The loan contracts concluded with the banks include financial covenants, which were breached in the financial year 2009 due to the aggravated macroeconomic situation and the consequent drop in sales. The covenants are reviewed on the basis of the audited consolidated financial statements for the respective financial year.

Because of the anticipated breach of financial covenants, the Company contacted its banks at the year end 2009 requesting for waiver of the financial covenants in the 2009 financial statements. The Company received the approval of waiver request from all its banks for all its borrowing and guarantee deals secured by financial covenants. The waiver of financial covenants is effective and valid for the 2009 financial year.

Current borrowings

Currency	Amount in currency	Amount in TEUR	Interest rate from	to
EUR	122,998	122,998	1.45%	5.76%
Total		**122,998**		

COMPANY - TRADE PAYABLES

Note 32 – Trade payables 143,918 TEUR

in TEUR	2009	2008
Trade payables to suppliers in the Gorenje Group	23,711	22,778
Trade payables to other suppliers	120,207	137,914
Total	**143,918**	**160,692**

Trade payables to suppliers in the Gorenje Group

in TEUR	2009	2008
Trade payables to suppliers in the Gorenje Group – domestic market	7,752	9,543
Trade payables to suppliers in the Gorenje Group – foreign market	15,959	13,235
Total	**23,711**	**22,778**

Trade payables to suppliers in the Gorenje Group - domestic market

in TEUR

Company	2009	2008
Gorenje Tiki, d.o.o., Ljubljana	14	247
Gorenje Gostinstvo, d.o.o., Velenje	282	197
Gorenje Notranja oprema, d.o.o, Velenje	32	32
Gorenje I.P.C., d.o.o., Velenje	3,532	4,813
Gorenje GTI, d.o.o., Velenje	1,481	2,574
LINEA SP, d.o.o., Velenje	0	5
Gorenje Orodjarna, d.o.o., Velenje	1,517	730
Surovina, d.d., Maribor	3	5
ERICo, d.o.o., Velenje	4	0
Kemis, d.o.o., Radomlje	27	41
GEN-I, d.o.o., Krško	554	349
Indop, d.o.o, Šoštanj	1	81
Gorenje design studio, d.o.o., Velenje	305	469
Total	**7,752**	**9,543**

Trade payables to suppliers in the Gorenje Group – foreign market

in TEUR

Company	2009	2008
Gorenje Polska Sp.z.o.o., Poland	138	72
Gorenje spol. s.r.o., Czech Republic	4	42
Gorenje Budapest Kft., Hungary	0	28
Gorenje, d.o.o., Serbia	10	61
Gorenje Belux S.a.r.l., Belgium	10	15
Gorenje Vertriebs GmbH, Germany	35	541
Gorenje Koerting Italia S.r.l., Italy	163	273
Gorenje Beteiligungs GmbH, Austria	195	323
Gorenje Skandinavien A/S, Denmark	86	2,249
Gorenje France S.A.S., France	26	124
Gorenje UK Ltd., Great Britain	23	16
Gorenje Romania S.R.L., Rumania	136	220
Mora Moravia, a.s., Czech Republic	10,556	9,025
Gorenje Slovakia s.r.o., Slovak Republic	61	1
Gorenje aparati za domaćinstvo, d.o.o., Serbia	4,295	143
Gorenje Espana, S.L., Spain	24	-20
Gorenje Gulf FZE, United Arab Emirates	63	109
Gorenje Istanbul Ltd., Turkey	48	7
ATAG BV, The Netherlands	11	6
Gorenje Zagreb, d.o.o., Croatia	-20	0
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	1	0
Gorenje Tiki, d.o.o., Serbia	58	0
Gorenje Austria Handelsges m.b.H., Austria	35	0
Revaluation	1	0
Total	**15,959**	**13,235**

Trade payables to other suppliers

in TEUR	2009	2008
Trade payables to other suppliers – domestic market	45,016	55,635
Trade payables to other suppliers – foreign market	75,191	82,279
Total	**120,207**	**137,914**

COMPANY - OTHER CURRENT LIABILITIES

Note 33 – Other current liabilities 19,131 TEUR

in TEUR	2009	2008
Payables to employees	8,870	6,952
Payables to state and other institutions	1,022	1,028
Payables for advances received	2,373	724
Other payables	101	609
Short-term accrued costs and expenses	6,765	6,552
Total	**19,131**	**15,865**

As at 31 December, payables to employees include:

in TEUR	2009	2008
Wages and salaries, continued pay	5,630	3,498
Payroll contributions	1,353	1,328
Payroll taxes	688	656
Other work-related earnings	141	162
Deductions from wages and salaries	1,011	1,260
Other payables	47	48
Total	**8,870**	**6,952**

Payables for advances received refer to advance payments for tools financed by the buyer of household appliances.

Short-term accrued costs and expenses were created for accrued costs of services in the amount of TEUR 2,961 TEUR (in 2008: TEUR 4,373), accrued interest expenses on borrowings in the amount of TEUR 624 (in 2008: TEUR 2,018), and accrued labour costs in the amount of TEUR 3,180 referring to unused annual leave in 2009 and provisions for restructuring to be carried out in 2010.

COMPANY - CONTINGENT LIABILITIES

Note 34 - Contingent liabilities

Contingent liabilities from loan guarantees given to financial institutions for financial burdens of its subsidiaries in the amount of TEUR 147,510 (in 2008: TEUR 48,729), to third parties in the amount of TEUR 1,451 (in 2008: TEUR 1,645), and to subsidiary Gorenje Beteiligungs GmbH Austria in the amount of TEUR 15,000 are recorded in a separate account. In addition, contingent liabilities from performance bonds and payment guarantees in the amount of TEUR 8,757 (in 2008: TEUR 20,727) are also recorded in a separate account.

COMPANY - FINANCIAL INSTRUMENTS

COMPANY - NOTE: CREDIT RISK

Note 35 – Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk exposure at the reporting date:

in TEUR	2009	2008
Available-for-sale financial assets	12,175	18,353
Loans	71,615	64,312
Trade and other receivables, excluding income tax receivable	175,623	191,152
Cash and cash equivalents	86	74
Interest rate swaps used for hedging: assets	0	327
Forward exchange contracts used for hedging: assets	0	4,793
Other financial receivables	5,667	6,476
Total	**265,166**	**285,487**

The maximum credit risk exposure of trade receivables at the reporting date by geographic region:

in TEUR	2009	2008
EU countries	61,335	65,061
East European countries	81,906	90,417
Other countries	21,940	16,849
Total	**165,181**	**172,327**

The maximum credit risk exposure of trade receivables at the reporting date by type of customer:

in TEUR	2009	2008
Wholesale customers	164,971	172,050
Other customers	210	277
Total	**165,181**	**172,327**

	Gross amount	**Allowance**	**Gross amount**	**Allowance**
in TEUR	2009	2009	2008	2008
Not past due	132,785		145,958	
Past due 1 to 45 days	13,240		13,381	
Past due 46 to 90 days	7,007		7,312	
Past due 91 to 180 days	7,362		1,619	
Past due over 180 days	10,283	-5,496	7,997	-3,940
Total	**170,677**	**-5,496**	**176,267**	**-3,940**

Changes in allowances for trade receivables due to impairment:

in TEUR	2009	2008
Balance at 1 January	3,940	3,999
Impairment loss	2,917	310

Payments	-51	-113
Write-down of receivables	-1,310	-256
Balance at 31 December	5,496	3,940

COMPANY - NOTE: LIQUIDITY RISK

Note 35 – Liquidity risk

Financial liabilities by maturity:

31 December 2009

in TEUR	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	245,204	255,542	105,129	67,915	82,498	
Other financial liabilities	25,511	25,511	25,511			
Trade payables	143,918	143,918	143,918			
Other payables	19,131	19,131	19,131			
Total	**433,764**	**444,102**	**293,689**	**67,915**	**82,498**	
Derivative financial liabilities						
Interest rate swaps	-10,017	-10,017	-6,177	-3,840		
Forward exchange contracts used for hedging	-250	-250	-250			
Outflow	-250	-250	-250			
Inflow						
Other forwards exchange contracts						
Outflow						
Inflow						
Total	**-10,267**	**-10,267**	**-6,427**	**-3,840**		

31 December 2008

in TEUR	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	More than 5 year
Non-derivative financial liabilities						
Bank borrowings	346,783	369,922	161,092	69,321	139,509	
Other financial liabilities	1,582	1,582	1,582			
Trade payables	160,692	160,692	160,692			
Other payables	15,865	15,865	15,865			
Total	**524,922**	**548,061**	**339,231**	**69,321**	**139,509**	
Derivative financial liabilities						
Interest rate swaps	-10,078	-10,078	985	-11,013	-50	
Forward exchange contracts used for hedging	4,793	4,793	4,793			
Outflow						
Inflow	4,793	4,793	4,793			
Other forwards exchange contracts						
Outflow						
Inflow						
Total	**-5,285**	**-5,285**	**5,778**	**-11,013**	**-50**	

The table below shows the periods in which the cash flows from cash flow hedge derivatives are expected to occur and their impact on profit and loss.

Derivative financial receivables and liabilities

2009

in TEUR	Carrying amount	Expected cash flows	1 year or less	1 – 5 years	More than 5 year
Interest rate swaps					
Assets (Liabilities)	-10,017	-10,017	-6,177	-3,840	
Forward exchange contracts					
Assets (Liabilities)	-250	-250	-250		
Total	**-10,267**	**-10,267**	**-6,427**	**-3,840**	

2008

in TEUR	Carrying amount	Expected cash flows	1 year or less	1 – 5 years	More than 5 year
Interest rate swaps					
Assets (Liabilities)	-10,078	-10,078	985	-11,063	
Forward exchange contracts					
Assets (Liabilities)	4,793	4,793	4,793		
Total	**-5,285**	**-5,285**	**5,778**	**-11,063**	

COMPANY - NOTE: CURRENCY RISK

Note 35 – Currency risk

Exposure to currency risk:

31 December 2009

in TEUR	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	113,024	21,916	13,430	8,350	2,622	3,820	2,019
Financial liabilities	-267,075						
Trade payables	-142,119			-1	-1,312		-485
Statement of financial position exposure	**-296,170**	**21,916**	**13,430**	**8,349**	**1,310**	**3,820**	**1,534**
Forward exchange contracts					6,378	-2,202	
Net exposure	**-296,170**	**21,916**	**13,430**	**8,349**	**7,688**	**1,618**	**1,534**

31 December 2008

in TEUR	EUR	HRK	DKK	PLN	USD	HUF	Other currencies
Trade receivables	128,226	14,725	13,191	6,501	3,461	2,172	2,953
Financial liabilities	-344,556				-2,227		
Trade payables	-159,097		-4		-3,763	-8	-47
Statement of financial position exposure	**-375,427**	**14,725**	**13,187**	**6,501**	**-2,529**	**2,164**	**2,906**
Forward exchange contracts	0	-16,391		-17,985	15,420		-1,999
Net exposure	**-375,427**	**-1,666**	**13,187**	**-11,484**	**12,891**	**2,164**	**907**

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2009	**2008**	**2009**	**2008**
HRK	7.341	7.224	7.300	7.356
DKK	7.446	7.455	7.441	7.451
PLN	4.329	3.515	4.104	4.154
USD	1.393	1.470	1.440	1.392
HUF	280.543	251.737	270.420	266.700

Sensitivity analysis

A 5 percent increase in the euro's value against the above stated currencies as at 31 December would have resulted in an increase (decrease) in net profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain unchanged. The analysis has been performed on the same basis as for 2008.

31 December 2009

in TEUR	Net profit or loss
HRK	-1,096
DKK	-672
PLN	-417
USD	-384
HUF	-81
Other currencies	-77

31 December 2008

in TEUR	Net profit or loss
HRK	83
DKK	-659
PLN	574
USD	-645
HUF	-108
Other currencies	-45

A 5 percent decrease in the euro's value against the above stated currencies as at 31 December would have had equal yet opposite effect, provided that all other variables remain unchanged.

COMPANY - NOTE: INTEREST RATE RISK

Note 35 – Interest rate risk

Exposure to interest rate risk:

in TEUR	2009	2008
Fixed rate financial instruments		
Financial assets		
Financial liabilities	22,872	22,632
Variable rate financial instruments		
Financial liabilities	244,203	324,151

Fair value sensitivity analysis for fixed rate instruments

No fixed rate financial instruments at fair value through profit or loss and derivatives designated as fair value hedge are recorded. Therefore a change in the interest rate at the reporting date would not have any impact on net profit or loss.

Fair value sensitivity analysis for variable rate instruments

A change in the interest rate by 50 basis points (bp) at the reporting date would have increased (decreased) net profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain unchanged. The analysis has been performed on the same basis as for 2008.

in TEUR	Net profit or loss		Other comprehensive income	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
31 December 2009				
Variable rate instruments	-810	810	0	0
Interest rate swap contracts	51	-51	304	-304
Cash flow variability (net)	**-759**	**759**	**304**	**-304**
31 December 2008				
Variable rate instruments	-1,337	1,337	0	0
Interest rate swap contracts	56	-56	319	-319
Cash flow variability (net)	**-1,281**	**1,281**	**319**	**-319**

COMPANY - FAIR VALUE

Note 36 – Fair value

The fair value and the carrying amount of assets and liabilities

in TEUR	Carrying amount	Fair value	Carrying amount	Fair value
	2009	2009	2008	2008
Available-for-sale investments	12,175	12,175	19,036	19,036
Non-current loans	1,083	1,083	1,494	1,494
Current loans	70,532	70,532	62,818	62,818
Derivatives	-10,267	-10,267	-5,285	-5,285
Trade receivables	165,181	165,181	172,327	172,327
Other current assets	10,442	10,442	18,825	18,825
Cash and cash equivalents	86	86	74	74
Non-current financial liabilities	-144,190	-144,190	-195,716	-195,716
Current financial liabilities	-126,525	-126,525	-152,257	-152,257
Trade payables	-143,918	-143,918	-160,691	-160,691
Other payables	-19,131	-19,131	-15,866	-15,866
Total	**-184,532**	**-184,532**	**-255,241**	**-255,241**

Available-for-sale investments are valued at fair value on the basis of market prices.

Fair value scale

The table shows method of valuing financial assets recorded at fair value. The levels are as follows:

- Level 1: stock price (unadjusted) in the active market of identical assets and liabilities
- Level 2: data differing from stock price data (these are included in Level 1) monitored with the intention of direct or indirect valuation of assets and liabilities
- Level 3: data on the value of assets and liabilities not based on the active market

Year 2009

in TEUR	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	3,220	-	8,955	12,175
Derivatives – assets	-	-	-	-
Derivatives - liabilities	-	-10,267	-	-10,267

Year 2008

in TEUR	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	4,305	-	14,731	19,036
Derivatives – assets	-	4,793	-	4,793
Derivatives - liabilities	-	-10,078	-	-10,078

Forward exchange contracts

The total fair value of forward exchange contracts amounted to TEUR -250 as at 31 December 2009 and was recorded under other financial liabilities.

Interest rate swaps

The total fair value of interest rate swaps as at 31 December 2009 amounted to TEUR -10,017 and was recorded under other financial liabilities.

Interest rate swap hedges, which refer to hedged items in the statement of financial position, are recorded in equity as a fair value reserve.

COMPANY - INVESTMENT-RELATED COVENANTS

Note 37 - Covenants related to investments

The value of contractually agreed investments in intangible assets and property, plant and equipment, not yet recognised in the financial statements at the date of the statement of financial position, amounts to TEUR 808.

COMPANY - RELATED PARTY TRANSACTIONS

Note 38 - Related party transactions

The transactions with related parties were conducted on the basis of sale/purchase contracts. The prices used in these contracts were the market prices of products and services equivalent to those prevailing in the arm's length transactions. The transactions with related parties were disclosed under the respective item in the statement of financial position.

Information on earnings

In 2009, the following personal earnings were paid to the groups of persons stated below:

Gross earnings in 2009

in TEUR	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	1,194		5,222
- incentive bonuses			
- other income	94		355
- attendance fees		56	
- refund of work-related expenses		3	
Total	**1,288**	**59**	**5,577**

Net earnings in 2009

in TEUR	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	542		2,666
- incentive bonuses			
- other income	92		331
- attendance fees		43	
- refund of work-related expenses		2	
Total	**634**	**45**	**2,997**

Gross earnings in 2008

in TEUR	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	1,255		5,944
- incentive bonuses	307	129	877
- other income	107		425
- attendance fees		75	
- refund of work-related expenses		1	
Total	**1,669**	**205**	**7,246**

Net earnings in 2008

in TEUR	Management Board	Supervisory Board	Employees under individual employment agreements
- salaries	572		3,030
- incentive bonuses	145	100	432
- other income	104		383
- attendance fees		58	
- refund of work-related expenses		1	
Total	**821**	**159**	**3,845**

Pursuant to the Companies Act, the total payments, reimbursements, and other benefits to the Management and Supervisory Board with Audit Committee members are given below:

Management Board members

Gross earnings in 2009

in EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	226,954		22,392	249,346
Franc Košec	193,761		17,318	211,079
Branko Apat	192,921		6,094	199,015
Uroš Marolt	176,223		23,035	199,258
Mirjana Dimc Perko	183,792		12,193	195,985
Philip Alexander Sluiter	31,741		0	31,741
Drago Bahun	188,631		13,230	201,861
Total	**1,194,023**	**0**	**94,262**	**1,288,285**

Net earnings in 2009

in EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	98,759		22,046	120,805
Franc Košec	85,240		16,975	102,215
Branko Apat	91,923		5,752	97,675
Uroš Marolt	75,094		22,694	97,788
Mirjana Dimc Perko	83,426		11,852	95,278
Philip Alexander Sluiter	23,806		0	23,806
Drago Bahun	84,166		12,888	97,054
Total	**542,414**	**0**	**92,207**	**634,621**

Gross earnings in 2008

in EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	238,880	79,180	23,902	341,962
Franc Košec	200,654	63,507	18,366	282,527
Branko Apat	194,154	18,651	9,926	222,731
Uroš Marolt	177,372	18,651	24,131	220,154
Mirjana Dimc Perko	183,759	63,507	17,119	264,385
Philip Alexander Sluiter	66,401	0	0	66,401
Drago Bahun	194,437	63,507	13,224	271,168
Total	**1,255,657**	**307,003**	**106,668**	**1,669,328**

Net earnings in 2008

in EUR	Salaries	Incentive bonuses	Other income	Total
Franc Bobinac	103,262	37,120	23,547	163,929
Franc Košec	87,709	29,891	18,014	135,614
Branko Apat	90,258	8,853	9,575	108,686
Uroš Marolt	73,155	8,840	23,780	105,775
Mirjana Dimc Perko	80,618	29,940	16,768	127,326
Philip Alexander Sluiter	49,801	0	0	49,801
Drago Bahun	87,031	29,921	12,873	129,825
Total	**571,834**	**144,565**	**104,557**	**820,956**

Supervisory Board and Audit Committee members

Gross earnings in 2009

in EUR	Attendance fees	Incentive bonuses	Refund of work-related expenses	Total
Jože Zagožen	5,700		230	5,930
Milan Podpečan	6,272		444	6,716
Peter Ješovnik	6,388		769	7,157
Andrej Presečnik	4,413		316	4,729
Gregor Sluga	6,388		869	7,257
Ivan Atelšek	4,825		195	5,020
Jure Slemenik	4,825		0	4,825
Drago Krenker	6,058		115	6,173
Krešimir Martinjak	4,825		0	4,825
Peter Kobal	4,825		0	4,825
Mateja Vrankar	1,563		269	1,832
Total	**56,082**	**0**	**3,207**	**59,289**

Net earnings in 2009

in EUR	Attendance fees	Incentive bonuses	Refund of work-related expenses	Total
Jože Zagožen	4,417		179	4,596
Milan Podpečan	4,861		343	5,204
Peter Ješovnik	4,951		596	5,547
Andrej Presečnik	3,420		244	3,664
Gregor Sluga	4,951		596	5,547
Ivan Atelšek	3,739		151	3,890
Jure Slemenik	3,739		0	3,739
Drago Krenker	4,695		89	4,784
Krešimir Martinjak	3,739		0	3,739
Peter Kobal	3,739		0	3,739
Mateja Vrankar	1,211		209	1,420
Total	**43,462**	**0**	**2,407**	**45,869**

Gross earnings in 2008

in EUR	Attendance fees	Incentive bonuses	Refund of work-related expenses	Total
Jože Zagožen	10,517	12,905		23,422
Milan Podpečan	7,263	12,905	203	20,371
Peter Ješovnik	7,103	12,905	308	20,316
Andrej Presečnik	7,270	12,905	189	20,364
Gregor Sluga	7,316	12,905	384	20,605
Ivan Atelšek	6,200	12,905	124	19,229
Jure Slemenik	7,239	12,905	19	20,163
Drago Krenker	8,090	12,905	19	21,014
Krešimir Martinjak	7,239	12,905	19	20,163
Peter Kobal	7,239	12,905	19	20,163
Total	**75,476**	**129,050**	**1,284**	**205,810**

Net earnings in 2008

in EUR	Attendance fees	Incentive bonuses	Refund of work-related expenses	Total
Jože Zagožen	8,151	10,001		18,152
Milan Podpečan	5,629	10,001	157	15,787
Peter Ješovnik	5,505	10,001	238	15,744
Andrej Presečnik	5,634	10,001	146	15,781
Gregor Sluga	5,669	10,001	298	15,968
Ivan Atelšek	4,805	10,001	96	14,902
Jure Slemenik	5,610	10,001	15	15,626
Drago Krenker	6,270	10,001	15	16,286
Krešimir Martinjak	5,610	10,001	15	15,626
Peter Kobal	5,610	10,001	15	15,626
Total	**58,493**	**100,010**	**995**	**159,498**

No non-current and current loans were extended by the Company to the Management Board and Supervisory Board members and internal owners.

COMPANY - EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Note 39 - Events after the date of the statement of financial position

There have been no significant events after the date of the statement of financial position as at 31 December 2009.

COMPANY - TRANSACTIONS WITH THE AUDITING FIRM

Note 40 - Transactions with the auditing firm

Pursuant to Article 57 of the Companies Act, the audit of Gorenje, d.d. was conducted by the auditing firm KPMG Slovenija d.o.o. in the period from 20 January to 29 January 2010 and the auditor's report was issued on 2 April 2010. In 2009, the costs of the audit of the annual report were recorded in the amount of TEUR 58.

COMPANY - INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the Shareholders of Gorenje, d.d., Gorenje

We have audited the accompanying consolidated financial statements of the company Gorenje, d.d. and its subsidiaries (the Gorenje Group) which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Gorenje Group as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

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

Danilo Bukovec, B.Sc.Ec.
Certified Auditor

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

Ljubljana, 2 April 2010

KPMG Slovenija, d.o.o.
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