

**Summary prospectus for the admission to trading on a  
regulated market of shares of Gorenje gospodinjski aparati  
d.d., Partizanska 12, SI - 3503 Velenje, Slovenia**

Velenje, Slovenia, June 2010

# **Summary prospectus for the admission to trading on a regulated market of the shares of Gorenje, d.d.**

## **1. The issuer of the shares**

The issuer of the shares is Gorenje gospodinjski aparati, d.d., Partizanska 12, SI - 3503 Velenje, Slovenia.

Its share capital, entered in the court register, is EUR 66,378,217.32, and is divided into 15,906,876 ordinary, freely transferable no par shares in a registered form.

## **2. The type of the shares**

The shares are ordinary, freely transferable no par shares issued in a registered, book-entry form, with the symbol GRVG and ISIN code SI0031104076.

The issuer already has 14,030,000 shares in the total amount of EUR 58,546,152.56 admitted to trading on a regulated market, that is the prime market of the Ljubljana Stock Exchange. The existing issue will be expanded with the issue of 1,876,876 new, ordinary, freely transferable no par shares in a registered form, in the total amount of EUR 7,843,064.76.

This prospectus relates to 1,876,876 ordinary, freely transferable no par shares in a registered form.

## **3. The total amount of the issue**

This prospectus relates to 1,876,876 ordinary, freely transferable, no par shares in a registered form, in the total amount of EUR 7,843,064.76, which are without par value. The issue price shall be EUR 13.32 per share, and the total selling price of all 1,876,876 shares shall be EUR 24,999,988.32.

## **4. The number of shares**

The issuer's share capital is divided into 15,906,876 ordinary, freely transferable no par shares in a registered form. They were issued as no par value shares in a book-entry form. This prospectus relates to 1,876,876 ordinary, freely transferable, no par shares in a registered form, in the total amount of EUR 7,843,064.76.

## **5. The rights attached to the shares**

As regards the attached rights, the shares to which this prospectus relates are substantially the same as the issuer's existing ordinary, freely transferable no par shares in a registered form, with the symbol GRVG, which afford the following rights to their voters:

- one vote at the general meeting of shareholders,
- a proportionate share of the accumulated profit available for distribution,
- a proportionate share of the remaining assets on the issuer's liquidation or bankruptcy.

## **6. Regulated market on which the shares shall be admitted to trading**

The shares shall be admitted to trading on a regulated market, that is the prime market of the Ljubljana Stock Exchange, where the issuer's existing shares with the symbol GRVG have already been admitted to trading.

## 7. Other important issuer-related facts

The general meeting of shareholders of 28 May 2010 adopted a resolution to increase the issuer's share capital by EUR 7,832,064.76 by issuing 1,876,876 new, ordinary, freely transferable no par shares in a registered form. The general meeting of shareholders of 28 May 2010 also adopted resolution to another increase of the issuer's share capital by up to EUR 7,832,064.76 by issuing 1,876,876 new, ordinary, freely transferable no par shares in a registered form. The Celje district court confirmed, by a decision no. Srg 2010/19414 from 2nd of June 2010, the increase in share capital from EUR 58,546,152.56 to EUR 66,378,217.32 by the issue of 1,876,876 new, ordinary, freely transferable no par shares in a registered form, so that the issuer's share capital is now divided into 15,906,876 ordinary, freely transferable no par shares in a registered form. The Celje district court also confirmed by the quoted decision form 2<sup>nd</sup> of June 2010, the resolution of the general meeting of shareholders about second increase of issuer's share of capital from EUR 66,378,217.32 to EUR 74,210,282.09 by up to EUR 7,832,064.76 by issuing 1,876,876 new, ordinary, freely transferable no par shares in a registered form. The issuer's share capital after second increase of issuer's share of capital is going to be divided up to 17,783,722 ordinary, freely transferable no par shares in a registered form.

Issuing new shares will allow the Gorenje Group to increase the pace at which it implements its strategic plan that provides for its revenues to grow to EUR 1.5 billion by 2014 based on internal (organic) or external (inorganic) growth, followed by a corresponding equity growth. Issuing new shares will also allow the Gorenje Group to increase the pace at which it develops new products and services, to carry out takeovers, if any, and to restructure the product portfolio of the Household Appliances Division and of the Ecology, Energy and Services Division that have a higher growth potential.

Economic and financial crisis which emerged in the beginning of year 2008 and followed throughout year 2009 had also an impact on operations of Gorenje Group. The crisis impacted the structure of goods sold and as a smaller quantity of orders. Companies of Gorenje Group utilized measures described in detail in the chapters and sub-chapters 14, 15.1 and 15.2. Just because of this measures Gorenje Group reinforced its market position in comparison to the competition, described in detail in sub-chapter 11.3.

## 8. Issuer-related risks

The issuer is daily exposed to various risks in its operations. Continuous changes and the accelerated internationalisation of its production and sales capacities increase the Gorenje Group's exposure to various risk types. The issuer is aware that for its long-term existence and further development, identification and management of the said risks are important, which is the main task of the risk management council established by the Gorenje Group three years ago.

The risks to which the issuer is exposed could be classified into three categories:

- business risks,
- financial risks, and
- operating risks.

<b>Business risks</b>	• <b>external risks</b>
	• sales risks
	• purchase risks
	• product risks
	• development risks
	• human resources risks

Financial risks	• property loss risks
	• credit risks
	• currency risks
	• interest rate risks
	• liquidity risks
Operating risks	• production risks
	• information system risks
	• organisational risks
	• logistic risks
	• tax risks
	• fire risks

There are also the risks associated with the issuer's shares, among them share liquidity and market risks.

All the above issuer-related risks are described in detail in section 4, "Risk factors", of this prospectus.

Other facts important for the investors' decision-making are set out in the prospectus for public offering of the shares of Gorenje, d.d.

## 9. Share-related risks

**Share liquidity:** the issuer's shares have been admitted to trading on a regulated market, that is on the prime market of the Ljubljana Stock Exchange, where their trading has continued on an uninterrupted basis. The issuer's newly issued shares will also be admitted to trading on the regulated market of the Ljubljana Stock Exchange. Their price will be subject to the laws of supply and demand. The absence of active trading may have an adverse effect on their market price and liquidity.

**Market risk:** known also as systematic risk, this is the risk of a sudden and prolonged fall in all share prices due to the general market and business conditions. There exists also the unsystematic risk associated only with the issuer.

## 10. Brokerage firm involved in the admission to trading on a regulated market

The issuer has not invited any brokerage firm to get involved in the admission of its shares to trading on a regulated market. All the necessary activities for this will be carried out by the issuer itself.

## 11. Important warning

Together with this prospectus, the issuer has prepared also a prospectus providing an insight into its legal and financial position, as well as into its business opportunities and the rights attached to the shares.

Pursuant to the Financial Instruments Market Act (ZTFI), the issuer herewith includes the following warnings:

The summary prospectus contains only the basic information of the shares and their issuer, for which reason it should be understood as an introduction to the prospectus. The investors should base each decision on the purchase of the issuer's shares on their acquaintance with or examination of the

prospectus as a whole, which contains detailed information of the issuer's legal and financial position, as well as on its business opportunities and the rights attached to the shares.

The persons who prepared the summary prospectus shall be responsible for any inaccurate or misleading information in it as compared to the other passages of the prospectus.

The prospectus is available at the issuer's registered office, on its web site ([www.gorenje.com](http://www.gorenje.com)), and on the web site of the Ljubljana Stock Exchange (SEOnet).

**Prospectus for the admission to trading on a regulated  
market of shares of Gorenje gospodinjski aparati d.d.,  
Partizanska 12, SI - 3503 Velenje, Slovenia**

Velenje, Slovenia, June 2010

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## Table of contents - abbreviations

Abbreviation	Whole name
ATVP	Securities market agency
Company, issuer	Gorenje gospodinjski aparati, d.d.
EU	European union
EUR, TEUR	Euro, thousands Euro
KDD	Central Securities Clearing Corporation Ljubljana
Ljubljanska borza	Ljubljana stock exchange
ZDDV-1-UPB2	Value Added Tax Act (ZDDV-1-UPB2, Official Gazette of the RS, nos. 10/2010, 117/2006, 32/2009 and 85/2009)
ZDDPO-2	Income Tax Act (ZDDPO-2, Official Gazette of the RS, nos. 117/2006, 56/2008, 76/2008, 5/2009 and 96/2009)
ZDoh-2	Personal Income Tax Act (ZDoh-2, Official Gazette of the RS, nos. 117/2006, 10/2008, 78/2008, 92/2008-3930, 125/2008 and 20/2009)

## Table of reference

Some of documents listed down are accessible on-line:

Annual Reports: [http://www.gorenjegroup.com/si/odnosi\\_z\\_investitorji/letna\\_porocila](http://www.gorenjegroup.com/si/odnosi_z_investitorji/letna_porocila)

Prospectus for the admission to trading on a regulated market of shares of Gorenje gospodinjski aparati d.d.,

Interim reports: [http://www.gorenjegroup.com/si/odnosi\\_z\\_investitorji/medletna\\_porocila](http://www.gorenjegroup.com/si/odnosi_z_investitorji/medletna_porocila)

## 1 Persons responsible

Gorenje gospodinjiski aparati, d.d., assumes responsibility for the information given in the prospectus. The issuer has taken all reasonable care to ensure that the information given in the prospectus is, to the best of its knowledge, in accordance with the facts, and that there exists no other significant information on its operations, activities and financial position.

The prospectus may only be used for the purpose for which it has been issued. Reproduction of the prospectus for other purposes, in whole or in part, and use and publication of the information and passages are prohibited.

Velenje, Slovenia, June 2010

### Management Board

- 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,



The image shows five handwritten signatures in blue ink, corresponding to the names listed on the left. The signatures are: Franc Bobinac (top), Mirjana Dimc Perko, Branko Apat, Drago Bahun, and Uroš Marolt. The signature for Franc Košec is not clearly visible at the bottom.

**Supervisory Board**

Representatives of capital

- dr. Jože Zagožen, predsednik,



- mag. Peter Ješovnik,



- Milan Podpečan,



- Andrej Presečnik,



- mag. Gregor Sluga,

Representatives of employees

- Ivan Atelšek, namestnik predsednika



- Peter Kobal,



- Drago Krenker,



- Jurij Slemenik.



## 2 Risk factors

### 2.1 *Issuer-related risks*

The Gorenje Group decentralised risks management in 2009 and tasked individual divisions with it. There is a risk management council at Group level, which comprises committees that cover operational, financial and operating risks within individual divisions.

Each committee is responsible for risk identification and valuation in view of the following:

- the potential effect on the budgeted result that a risk might have,
- the estimated likelihood for the occurrence or the estimated frequency of such effect.

Based on risk valuation, the committees prepare measures aimed at reducing the effect of risks on the Gorenje Group's operations, and estimate the costs of such measures. The risk management committee analyses the interconnectedness of risks, and directs and co-ordinates all risk reduction measures. Risk valuation is also the basis for the audit control plan. Risk management efficiency is analysed on a quarterly basis.

Figure: Strategic risk map

**STRATEGIC RISK MAP**

Type of risk	Damage size				Probability			
	small	moderate	high	very high	high	medium	low	very low
<b>Business risks</b>								
1.1 External risks				high	high			
1.2 Sales risks				high	high			
1.3 Purchase risks			high			medium		
1.4 Product risks				high			low	
1.5 Development risks				high		medium		
1.6 Human resources risks								
1.7 Property loss risks			high					very low
<b>Financial risks</b>								
2.1 Credit risks		moderate				medium		
2.2 Currency risks				high	high			
2.3 Interest rate risks			high		high			
2.4 Liquidity risks							low	
<b>Operating risks</b>								
3.1 Product risks			high					low
3.2 Information system risks						medium		
3.3 Organisational risks	small							low
3.4 Logistic risks			high					
3.5 Tax risks								
3.6 Fire risks				high				

**Business risks**

Business risks are risks associated with an entity’s ability to generate operating revenue, manage business processes, and maintain asset value.

The Gorenje Group identified the following **significant types** of business risks:

<b>Business risks</b>	• external risks
	• sales risks
	• purchase risks
	• product risks
	• development risks
	• human resources risks
	• property loss risks

**External risks** are mainly associated with changes in macroeconomic conditions in the key markets. The exposure of the Group to these risks has increased significantly since the onset of the global financial crisis.

**Sales risks** are associated with the Group's competitiveness in sales of products and services. They relate to the Group's marketing strategy (appropriateness of branding, pricing, product functionality, etc.), the increasing negotiating power of industrial buyers and retailers, and the quality of the Group's after-sales services.

The most important factors of **purchase risks** are the unpredictability of commodity markets, and US dollar volatility. The Household Appliances Division makes forward purchases of commodity metals on the London Metal Exchange, and concludes forward contracts for other metals. On top of this, it builds long-term partnerships, and develops supply sources mostly in US dollar LCC markets, which also provides for natural hedging of US dollar sales.

The most important material of the Home Interior Division is chipboard, which is crucial for its costs, quality and production. Chipboard suppliers are organised in cartels and have concerted price policies, while new entrants can only come from a radius of 700 kilometres due to the transportation costs. Currently, there is an upward trend in chipboard prices. These risks are reduced by including all suitable suppliers in the purchase chain, which optimises prices and ensures undisturbed deliveries.

**Product risks** are associated with product malfunction and, in extreme cases, product liability. The Group reduces these risks by means of quality management across its production, sales and after-sales processes, and also by means of product liability insurance. The Group has in place quality management systems compliant with the SIST EN ISO 9001:2000 requirements, a method validation system compliant with the ISO 17025 standard, and the Six Sigma system. It also uses a malfunction analysis software (SAS) that allows it to shorten the time to detection and reduce the costs of serial defects.

**Investment and development risks** are associated with returns on investments, and with the introduction of new product generations and of new technologies. The Group reduces the risks associated with the introduction of new product generations and of new technologies by preparing in detail the relevant business plans. In this, it uses a project approach, which allows it to monitor the achievement of goals and helps it find solutions for underachievement.

The Group experienced a decline in the production volume, which in turn required a reduction in labour costs, and thus dismissals. **Human resources risks** have increased also due to the Act Regulating the Minimum Wage. All this has made social dialogue more difficult. The Group paid more attention to adequate and prompt information and response as regards dismissals and wage reductions, and health and safety at work. To have the right people to fill its key positions, the Group will continue providing scholarships, supporting the employees studying part-time, and motivating employees to look forward to challenges, also by rewarding their performance.

**Property loss risks** include property and transportation risks. The Group reduces its exposure to these risks by passing them on to insurance companies or business partners.

## Financial risks

The main goals of financial risks management are: to achieve operating stability, to increase the value of Group companies, to increase financial revenue and reduce financial expenses, and to reduce the effect of exceptional loss events.

The Group identified the following significant types of financial risks:

<b>Financial risks</b>	• <b>credit risks</b>
	• currency risks
	• interest rate risks
	• liquidity risks

The exposure to individual types of financial risks is assessed on the basis of their effects on cash flows. To protect against these risks, the Group carries out activities in operating, investment and financial areas.

The key financial risks of the Group are credit, currency and interest rate risks, as well as liquidity risks. Due to the difficult macroeconomic conditions, the Group paid special attention in 2009 to **credit risks**, to which, according to the management, the Group was particularly exposed. They include all risks associated with the business partners' failure to fulfil contractual obligations resulting in decreased economic benefits for the Group. The Group took special measures to manage credit risks:

- it insured the majority of operating receivables with Prva kreditna zavarovalnica of the Slovene Export Company (SID), and with other insurance companies;
- it additionally insured its risk-bearing trade receivables by means of bank guarantees and other collateral;
- it regularly monitored the financial position of its new and existing business partners, and defined maximum exposures;
- it used offsets and countertrades to collect accounts receivable;
- it monitored credit limits and collection of accounts receivable.

Due to the geographic diversification of its operations, the Group is significantly exposed to **currency risks**. These may result in decreased economic benefits for the Group due to exchange rate changes. Currency risks are assessed based on the balance sheet exposure. They mainly arise from the Group's activities in Serbia, Great Britain, Czech Republic, Slovakia, Poland, Hungary, Croatia and Turkey, and in all US dollar markets. The Group managed these risks above all by matching the currency structure of its sales and purchases. It also used futures contracts and short-term borrowings in local currencies to protect against short-term currency fluctuations.

In the last couple of years, the Group paid great attention to **interest rate risks**. These may result in decreased economic benefits for the Group due to interest rate changes. In 2009, it increased the portion of loans that have a fixed interest rate or are insured by means of derivatives, which accounted for 47.5% of the Group's credit portfolio at year-end 2009.

**Liquidity risks** include the risks associated with a shortage of available funds that would result in the Group's inability to settle its liabilities when due. In 2010, the Group has to repay loans of EUR 192.0 million, for which reason it has been discussing with the banks the possibility of their refinancing. At year-end 2009, the Group's liquidity reserve amounted to EUR 162.7 million. It comprised unused revolving lines, short-term bank deposits, and bank account balances, and allowed the Group to manage its short-term cash flows and ensure liquidity.

The risk of short-term liquidity of the Gorenje Group increased due to the decreased access to financial sources of its business partners, both buyers and suppliers. The risk of long-term liquidity is moderate and reflects the Group's performance, asset management, ability to generate cash flows from operating activities, and appropriate equity structure.



## Operating risks

Operating risks may result in decreased economic benefits for the Group due to its inadequate planning, implementation and control of business processes and activities.

The Group identified the following significant types of operating risks:

<b>Operating risks</b>	• <b>production risks</b>
	• information system risks
	• organisational risks
	• logistic risks
	• tax risks
	• fire risks

**Production risks** management focuses on the functioning of the Group's key equipment (machines, tools, production lines) and infrastructure, which requires undisturbed energy supply and hazardous substances management. Production risks, which are higher in line production, are managed by means of qualified employees and regular maintenance of production lines.

**Information system risks** are related to the information system (hardware and software) availability and responsiveness. These risks are reduced by the SAP information system, which is being implemented by all companies in the Household Appliances Division, as well as by:

- ready measures for various disturbances that might affect the Group's local area network, its supporting servers, its global communications and its network connections;
- a disaster recovery centre;
- changes to the architecture of server systems (server virtualisation);
- a business continuity management system;
- regular maintenance of hardware and software, communication and network connections;
- regular data archiving;
- planning the procedures for action in the case of information support failure;
- managing changes in the development of information systems.

**Organisational risks** are associated with non-compliance with the applicable regulations. Business unit managers or heads are crucial for their management, as they are responsible, together with the Organisation Department, for ensuring compliance of employee powers and responsibilities. The Group encourages innovation, for which reason it wants to avoid excessive automation.

**Logistic risks** are associated with the growth in transportation costs. As regards prices of transportation by sea, they are mainly influenced by supply and demand, while prices of transportation by road are mainly influenced by oil prices. The contracts that the Group has with its suppliers include the possibility of a change in the price of transportation in the case of a change in oil prices. These risks are assessed based on the forecast prices of oil and transportation by sea.

**Tax risks** are associated with the possible amendments and implementation of tax regulations, as well as with the ensuring of administrative conditions. The main measure in their management is consistent compliance with tax regulations. The Group ensures this by keeping abreast of tax and court practice, by having in place internal control mechanisms, by co-operation among the various business units, etc. The Group also co-ordinates transfer prices in intra-Group transactions.

**Fire risks** are reduced by regular assessment of fire danger, based on which all facilities get the appropriate active fire protection systems. The Group also monitors closely the implementation of fire protection measures, and provides additional fire protection training.

## 2.2 Share-related risks

**Share liquidity:** the issuer's shares have been admitted to trading on a regulated market, that is on the prime market of the Ljubljana Stock Exchange, where their trading has continued on an uninterrupted basis. The issuer's newly issued shares will also be admitted to trading on the regulated market of the Ljubljana Stock Exchange. Their price will be subject to the laws of supply and demand. The absence of active trading may have an adverse effect on their market price and liquidity.

**Market risk:** known also as systematic risk, this is the risk of a sudden and prolonged fall in all share prices due to the general market and business conditions. There exists also the unsystematic risk associated only with the issuer.

## 3 Key information

### 3.1 Working capital statement

As at year-end 2009, the Gorenje Group had EUR 604,370 thousand of current assets and EUR 497,720 thousand of current liabilities. As at year-end 2009, the issuer, Gorenje, d.d., had EUR 338,955 thousand of current assets and EUR 299,841 thousand of current liabilities. The issuer is of the opinion that the working capital is sufficient for its present requirements, and that at the same time it provides for a balanced structure of its balance sheet, as well as for liquidity quality and reliability.

### 3.2 Capitalisation and indebtedness

#### Capitalisation and indebtedness at 31st of March 2010

As at 31<sup>st</sup> of March 2010, total equity of the Gorenje Group stood at EUR 365,546 thousand and represented 31.1% of the balance sheet total, while its total financial and operating liabilities stood at EUR 809,302 thousand and represented 68.9% of the balance sheet total. Of the Group's total financial and operating liabilities, loans obtained from various banks and financial institutions amounted to EUR 471,039 thousand.

As at 31<sup>st</sup> of March 2010, total equity of the Gorenje, d.d. stood at EUR 301,621 thousand and represented 39.4% of the balance sheet total, while its total financial and operating liabilities stood at EUR 464,791 thousand and represented 60.6% of the balance sheet total. Of the Group's total financial and operating liabilities, loans obtained from various banks and financial institutions amounted to EUR 280.435 thousand.

Gorenje, d.d. in the same period collateral as a part of contingent liabilities stood at EUR 214,196 thousand.

#### Collateralisation of non-current financial liabilities of Gorenje, d.d. at 31st of March 2010

In TEUR	31.3.2010
Bills	157,076
Pari-Passu Clause, Negative Pledge Clause	154,826
Financial covenants (ratios)	133,526
Guarantee Scheme of the Republic of Slovenia	34,055

## Collateralisation of current financial liabilities of Gorenje, d.d. at 31st of March 2010

in TEUR	31.3.2010
Bills	85,887
Pari-Passu Clause, Negative Pledge Clause	79,720
Financial covenants (ratios)	56,888
Guarantee Scheme of the Republic of Slovenia	8,585

### **3.3 Interest of natural and legal persons involved in the admission to trading**

The issuer is not aware of any interest of any natural or legal person involved in the admission to trading of its shares, which would have interest, including a conflicting one, that would be material to the admission to trading of the shares.

### **3.4 Reasons for the admission to trading**

The reason for the admission to trading of the newly issued shares is to ensure organised and transparent trading with all shares of the company, and thus an equal position of all shareholders

Issuing new shares will allow the Gorenje Group to increase the pace at which it implements its strategic plan that provides for its revenues to grow to EUR 1.5 billion by 2014 based on internal (organic) or external (inorganic) growth, followed by a corresponding equity growth. Issuing new shares will also allow the Gorenje Group to increase the pace at which it develops new products and services, to carry out takeovers, if any, and to restructure the product portfolio of the Household Appliances Division and of the Ecology, Energy and Services Division that have a higher growth potential.

## **4 Information concerning the shares to be offered to trading**

### **4.1 Description of the shares**

This prospectus relates to 1,876,876 new, ordinary, freely transferable, no par shares in a registered form, with the symbol GRVG and ISIN code SI0031104076, which shall represent the same class as the existing shares.

Before the issue of new shares, the issuer's share capital was EUR 58,546,152.56 and was divided into 14,030,000 ordinary, freely transferable no par shares in a registered form. After the issue of new shares and registration of the resolution to increase the issuer's share capital, the issuer's share capital is EUR 66,378,217.32 and is divided into 15,906,876 ordinary, freely transferable no par shares in a registered form.

All shares were paid for with cash.

### **4.2 Legislation under which the shares have been created**

The shares were issued under Slovenian legislation.

### **4.3 Form of the shares**

The GRVG shares were issued in a registered, book-entry form and entered in the central register of book-entry securities kept by the Central Securities Clearing Corporation (KDD).

#### **4.4 Currency of the securities issue**

The GRVG shares were issued as no par shares and are not denominated in any currency.

#### **4.5 Description of the rights attached to the shares**

As regards the attached rights, the shares to which this Prospectus relates are substantially the same as the issuer's existing shares with the symbol GRVG, which carry the following rights:

- one vote at the general meeting of shareholders,
- a proportionate share of the accumulated profit available for distribution,
- a proportionate share of the remaining assets on the issuer's liquidation or bankruptcy.

Dividends shall be payable in the manner laid down in the issuer's articles of association and in the resolution adopted by the general meeting of shareholders on the distribution of the accumulated profit.

#### **4.6 Transferability of the shares**

The shares are freely transferable in accordance with the applicable legislation, the issuer's articles of association, and the rules of operation of KDD.

#### **4.7 Mandatory takeover bids and squeeze-out and sell-out rules**

As regards takeovers, the issuer or its shares are subject to the provisions of the Takeovers Act. Squeeze-outs, sell-outs and trading are governed by the Code of Obligations, the Companies Act and the Financial Instruments Market Act, as well as the regulations adopted on their basis.

#### **4.8 Public takeover bids in respect of the issuer's equity**

In 2007, 2008 and 2009, no takeover bid was published in respect of the issuer's shares in accordance with the Takeovers Act. Squeeze-outs, sell-outs and trading are governed by the Code of Obligations, the Companies Act and the Financial Instruments Market Act, as well as the regulations adopted on their basis.

#### **4.9 Information on taxes**

Summary information on taxes that follows is of a general nature and describes the important tax consequences in Slovenia of acquisition, ownership and disposal of the shares offered. It is not an exhaustive description of all tax consequences of acquisition, ownership and disposal of the shares offered, and its purpose is not to be interpreted as legal or tax advice to any individual holder of the shares offered, and it should not be interpreted as such. The issuer recalls the existence of the risk of amendments to tax regulations, also with a retroactive effect. The potential investors must therefore in view of their specific circumstances consult their tax advisors as regards tax consequences in Slovenia and elsewhere of acquisition, ownership and disposal of the shares offered.

##### **4.9.1 Tax on trading**

Pursuant to indent 4(e) of Article 44 of the Value Added Tax Act (ZDDV-1-UPB2, Official Gazette of the RS, nos. 10/2010, 117/2006, 32/2009 and 85/2009), financial transactions shall be exempt from VAT, among them transactions (excluding management, safekeeping, investment advice and services in connection with takeovers), including negotiation, in shares, interests in companies or associations, debentures and other securities, excluding documents establishing title to goods and the rights and interests. It follows that subscription and payment of the shares covered by this prospectus is not subject to VAT.

## 4.9.2 Taxes on the income – legal persons

### **Received dividends and income similar to dividends**

Article 24 of the Corporate Income Tax Act (ZDDPO-2, Official Gazette of the RS, nos. 117/2006, 56/2008, 76/2008, 5/2009 and 96/2009) lays down that in determining the tax base of a taxpayer, received dividends or other shares of profit, including the income similar to dividends referred to in Article 74 of this Act, excluding covert distributions of profit referred to in Article 74(7) that were not subject to taxation on the part of the payer, shall be excluded from the tax base of the recipient, provided the payer is a taxpayer under this Act; or, according to the tax law of a Member State, considered to be resident in that State for tax purposes and, under the terms of a double taxation agreement concluded with a third State, is not considered to be resident for tax purposes outside EU and, in addition, shall be subject to one of the taxes to which the common system of taxation, applicable in the case of parent companies and subsidiaries of different Members States, applies, and which are defined by the minister responsible for finance, and without the possibility of an option or of being exempt; or a taxpayer subject to income tax and/or profit tax, comparable to the tax under this Act, and not a resident of the state, and in the case of a business unit this is not located in a state where the general and/or average nominal rate of taxation applicable to profits generated by companies is lower than 12.5% and the state is listed on a published list in accordance with Article 8 of this Act; however, this indent does not apply to a payer who is a resident of another EU Member State pursuant to the second point of this paragraph of this Article. Provisions of Article 24 of the Corporate Income Tax Act shall apply to a non-resident recipient whose participation in capital or management of the person distributing the profits is connected with the activities and/or business pursued by the non-resident, either in or through a business unit in Slovenia.

Income referred to in Article 24 of the Corporate Income Tax Act shall be excluded from the tax base of the recipient if on its basis revenue was included in the tax base in previous tax periods.

### **Profits from disposal of equity holdings**

Article 25 of the Corporate Income Tax Act lays down that in establishing the tax base of a resident or non-resident performing activity and/or business in a business unit or through a business unit in Slovenia that earns profit from disposal of equity holdings in companies, cooperative societies or other types of organisations, 50% of that profit shall be exempt from the tax base of the taxpayer, if the taxpayer who earns profit has participated in capital and/or managing of another person in such a manner that he/she is the holder of a holding, shares or voting rights amounting to at least 8% and the time of this participation in capital and/or managing companies, cooperative societies and other types of organisations lasts at least 6 months and, continuously employed at least one person during that period on a full-time basis. Losses arising from disposal of equity holdings shall be recognised in the amount of 50%.

The above stipulations shall not apply to profits from investments in ownership shares of companies, cooperative societies or other types of organisations that have a seat or place of actual operation of their management established in states where the general and/or average nominal rate of taxation applicable to the profits generated by companies is lower than 12.5% and the state is listed on a published list in accordance with Article 8 of the Corporate Income tax Act and the these states are not EU Member States.

In the case of liquidation or dissolution of a taxpayer or non-resident's business unit in Slovenia within a period of 10 years of establishment, at the time of dissolution the tax base of the tax account shall be increased by the exempt share of profit subject to the first paragraph of Article 24 for the period of the five previous tax periods. A transaction in accordance with Chapter VII of the Corporate Income Tax Act shall not be considered the liquidation or dissolution of a taxpayer or non-resident's business unit in Slovenia.

### **Dividend payments**

Article 70 of the Corporate Income Tax Act lays down that the tax shall be calculated, withheld and paid at the rate of 15% on payments of dividends whose source is in Slovenia, unless the recipient is the Republic of Slovenia or a local authority in Slovenia; the Bank of Slovenia; a resident taxpayer who has notified the payer of his/her tax number; a non-resident tax payer liable for the tax on income obtained by performing activities in or through a business unit in Slovenia and who has notified the payer of his/her tax number, provided the income was paid to that business unit; and persons assuming one of the forms to which the common system of taxation applicable in the case of parent companies and subsidiaries of different EU Member States applies, laid down by the minister responsible for finance, provided that:

1. the recipient holds at least 10% of the value or number of shares or holdings in the equity capital, share capital or voting rights of the person distributing the profits;
2. the duration of the minimum participation referred to in point 1 of this paragraph is at least 24 months; and
3. the recipient is one of the following:
  - a) a person assuming one of the forms to which the common system of taxation applicable in the case of parent companies and subsidiaries of different EU Member States applies and which are laid down by the minister responsible for finance;
  - b) according to the tax law of a Member State are considered to be residents in that State for tax purposes and, under the terms of a double taxation agreement concluded with a third State, are not considered to be residents for tax purposes outside EU; and
  - c) subject to one of the taxes to which the common system of taxation applicable in the case of parent companies and subsidiaries of different EU Members States applies and which are laid down by the minister responsible for finance, and without the possibility of an option or of being exempt. A dividend paid out to a person who has not yet met the condition of 24 months, but nevertheless meets the above conditions, may be paid out without withholding tax provided that the payer of the dividend provides to the competent tax authority an appropriate bank guarantee.

Tax shall therefore be calculated, withheld and paid at the rate of 15% by the payer on payments of dividends to non-residents not meeting the above conditions. Based on a decision of the Tax Administration of the Republic of Slovenia, the payer may use a lower rate from the double taxation agreement concluded between the Republic of Slovenia and the non-resident's state.

### 4.9.3 Taxes on the income – natural persons

#### Dividend payments

Article 132 of the Personal Income Tax Act (ZDoh-2, Official Gazette of the RS, nos. 117/2006, 10/2008, 78/2008, 92/2008-3930, 125/2008 and 20/2009) lays down that the payer of dividends to natural persons residents shall calculate, withhold and pay the tax at the rate of 20%. The paid and withheld tax shall be deemed as final. The payer of dividends to natural persons non-residents shall calculate, withhold and pay the tax at the rate of 20%. Based on a decision of the Tax Administration of the Republic of Slovenia, the payer may use a lower rate from the double taxation agreement concluded between the Republic of Slovenia and the non-resident's state.

#### Capital gains

A taxable capital gain shall be the difference between the purchase price and the selling price of a security. In the case of securities acquired before 1 January 2003, the purchase price to be considered is the market price or, if this is not available, the book value as at 1 January 2006. If the actual purchase price of such securities and holdings, as documented by the taxpayer, exceeds the market price or book value as at 1 January 2006, the actual purchase price shall be considered instead. The tax rate for capital gains shall be 20% and reduced for each five-year holding period.

The tax rate for capital gains depends on the holding period:

- it is 20% for a holding period of up to 5 years;
- it is 15% for a holding period from 5 to 10 years;
- it is 10% for a holding period from 10 to 15 years;

- it is 5% for a holding period from 15 to 20 years; and
- it is 0% for a holding period over 20 years.

The capital gains tax shall be deemed as final, which means that it shall not be considered in the annual personal income tax assessment. The capital gains tax shall be assessed by the Tax Administration. The Tax Administration shall calculate the tax on capital gains earned on disposal of securities and other holdings based on the return submitted by the taxpayer.

Taxpayers other than non-residents shall submit the return for the assessment of the tax on capital gains earned on disposal of securities by 28 February of the current year for the previous year. Non-residents are not subject to the capital gains tax, provided the source of capital gains is in Slovenia only under Articles 13 and 14 of the Personal Income Tax Act and the security or holding disposed of is not a portion of a predominant holding. A predominant holding is any holding based on which the taxpayer holds, or held at any time in the five-year period before the disposal of such holding, directly or indirectly through related persons, at least 10% of equity or a share class of a legal person. A non-resident may submit the return by 28 February of the current year for the previous year if reporting all disposals of securities and other holdings and investment coupons in the previous year, or else within 15 days of the disposal.

#### **4.9.4 Taxes on the income withheld at source**

Under the applicable legislation, the issuer is the payer of the tax withheld on the payment of dividends, and is responsible for the calculation and payment of such tax to the Tax Administration of the Republic of Slovenia. The issuer does not assume any other responsibility associated with withheld taxes.

## **5 Admission to trading**

### **5.1 Place of trading**

The issuer's new shares will be traded under the symbol GRVG on a regulated market, that is, on the prime market of the Ljubljana Stock Exchange, the same as the issuer's existing shares.

### **5.2 Other markets**

Except for the regulated market of the Ljubljana Stock Exchange, there is no other securities market in Slovenia where securities would be traded.

### **5.3 Brokerage firm involved in the admission to trading on a regulated market**

The issuer has not invited any brokerage firm to get involved in the admission of its shares to trading on a regulated market. All the necessary activities for this will be carried out by the issuer itself.

### **5.4 Provision of liquidity**

Information about the entities which committed to act as intermediaries in secondary trading or to provide liquidity through bid and offer rates is not known to the issuer.

### **5.5 Stabilisation**

The issuer has not allowed price stabilising activities.

## 6 Selling securities holders

The prospectus relates to the admission to trading on a regulated market of the newly issued shares. No person or entity is offering to sell the existing shares with the symbol GRVG in the holder's publication.

## 7 Expense of the admission to trading

Pursuant to the Tariff on Fees and Compensations of the Securities Market Agency and the Services Fee Schedule of the Ljubljana Stock Exchange, the expense of the admission to trading incurred by the issuer will mainly comprise the following costs:

Cost type	Cost amount
Fee payable to the Securities Market Agency for the approval of the prospectus for the admission to trading on a regulated market	EUR 5,000.00 + VAT
Fee payable to the Ljubljana Stock Exchange for the listing of the shares	EUR 5,003.78 <sup>1</sup> + VAT
Fee payable to the Ljubljana Stock Exchange for taking a decision to list the shares	EUR 400.00 + VAT
Total	EUR 10,403.78 + VAT

In addition to the above costs, which are associated with the admission to trading of the shares, the issuer will also incur costs associated with the translation and printing of this prospectus.

## 8 Statutory auditor

The issuer's auditor for the business years 2009, 2008 and 2007 was KPMG Slovenija, podjetje za revidiranje, d.o.o., Ljubljana, Železna cesta 8a.

The consolidated financial statements, the parent company's financial statements, and the financial statements of the majority of subsidiaries for 2009, 2008 and 2007 were audited by KPMG. An external auditor reports on its findings to the management and supervisory boards, and to the audit committee of the supervisory board.

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<sup>1</sup> Calculated based on the average price of the GRVG share in the last six months of trading on the regulated market.



## 9 Financial Highlights

The operation of the Gorenje Group in the years 2009, 2008 in 2007 – more data about financial information can be found in Section 23.

in TEUR	2009	2008	2007
<b>Consolidated sales</b>	1,185,937	1,330,753	1,293,438
<b>EBITDA</b>	68,199	94,014	92,857
<b><i>EBITDA margin ( %)</i></b>	5.8 %	7.1 %	7.2 %
<b>EBIT</b>	12,149	36,893	39,646
<b><i>EBIT margin ( %)</i></b>	1.0 %	2.8 %	3.1 %
<b>Total profit or loss</b>	-9,308	15,473	29,400
<b>Net profit or loss</b>	-12,232	10,181	36,664
<b><i>ROS (return on sales)</i></b>	-1.0 %	0.8 %	1.8%
<b><i>ROA (return on assets)</i></b>	-1.0 %	0.9 %	2.5%
<b>Sales revenue per employee</b>	108.73	116.41	112.90
<b>EBITDA per employee</b>	6.25	8.22	8.11
<b>EBIT per employee</b>	1.11	3.23	3.46
<b>Net profit or loss per employee</b>	-1.12	0.89	3.20
<b>Employees (final)</b>	10,675	11,323	11,410
<b>Employees (average)</b>	10,907	11,432	11,456

## 10 Data about the Issuer

### 10.1 History and Development of the Issuer

#### 10.1.1 Legal and business name of the Issuer

Company name: Gorenje gospodinjski aparati, d.d.

Shortened corporate name: Gorenje, d.d.

Registration Number: 5163676

VAT Number.: SI72615320

#### 10.1.2 Place of Registration and Registration Number

The Issuer has been entered into the court register of the District Court in Celje under registry application number: 1/00461/00.

#### 10.1.3 Date of Entry into the Register

The Issuer was entered in the court register of the District Court in Celje on 31 December 1997.

#### 10.1.4 Registered Office and Legal Form of the Issuer

Registered office: Velenje

Address: Partizanska 12, Velenje

Legal form: public limited company

Applicable legislation: The Issuer operates pursuant to the Slovenian Legislation.

#### 10.1.5 Important Events in the Development of the Issuer's Activity

##### **Gorenje's challenges yesterday, today, tomorrow**

Gorenje has been present in the market for **60 years**. It has developed into a highly modern manufacturing group that is focused on customers, suppliers, associates, owners, local environments in which it operates.

We are aware that only through our joint efforts we can become **the most original, design-oriented creator of products for the home in the world.**

Our existence and development in the past were marked by some relevant milestones.

The beginnings of the Group date back to the early 1950's, when a local metal-working company engaged in the production of agricultural machinery was established in the small village Gorenje. In the year 1958 the company started the production of solid fuel cookers. Soon afterwards, the idea of moving to Velenje and constructing the company's own production facilities was implemented. This was followed by the expansion of production to washing machines and fridges – freezers. The year 1961 was an important milestone since the first 200 cookers were exported to the German market.

Intensive takeovers in the 1970's of the previous century enabled further expansion of the system. The company's development was widened by the offer of a complete range of products for the home: kitchen furnishings, ceramics, medical equipment, telecommunications, home electronics, television sets. The expansion of the product range was followed by the expansion of the sales and service network, first to the territory of the entire Yugoslavia, then to the countries of West Europe (Germany, Austria, France, Denmark, Italy) and beyond (Australia). The group employed over 20,000 staff.

In the 1980's of the previous century the development of the group was focused on its main activity, the production and sale of household appliances.

At the beginning of the 1990's the company was confronted by the loss of the previous domestic markets of the former Yugoslavia. This situation demanded intensive reorientation of exports to the markets outside the former common state. The change in the sales orientation led to restructuring of the complete group, and a change in the political and economic systems triggered the ownership transformation process. The loss of markets in the former Yugoslavia called for the re-establishment of contacts, development of partner relations and gradual building of business co-operation through the establishment of new companies in all European markets, including the markets of the former Yugoslavia. The process of ownership transformation was successfully concluded in 1997.

Today, the most advanced technological and environmental standards have been implemented in business processes of the group. We develop and strengthen our presence in the markets of the former Yugoslavia, markets of East, South-eastern, and Western Europe, Northern and Central Europe and beyond (North America, Australia, Near and Far East). All this has been possible through intensive investments in expansion of production capacities, environmentally-friendly and advanced technology, new products and new markets. With the takeover of the producer of cooking appliances Mora Moravia s r.o., we begun a process of delocalisation of production processes and increased the production capacities in the Czech Republic. The construction of the factory in Valjevo expanded the production capacities of the fridges – freezers in Serbia. With the purchase of a proportional share in the capital of the company Istrabenz energetski sistemi, d.o.o., the activities have been expanded to the area of energy management in line with our strategy. With the purchase of the of the Dutch company offering household appliances Atag Europe we strengthened our position in the Benelux countries and obtained three new trade marks: Atag, Etna and Pelgrim. The Atag trade mark is ranked among the trade marks of a high price bracket and quality class. In addition to this, we have strengthened our position in this segment by takeovers of companies from the field of ecology.



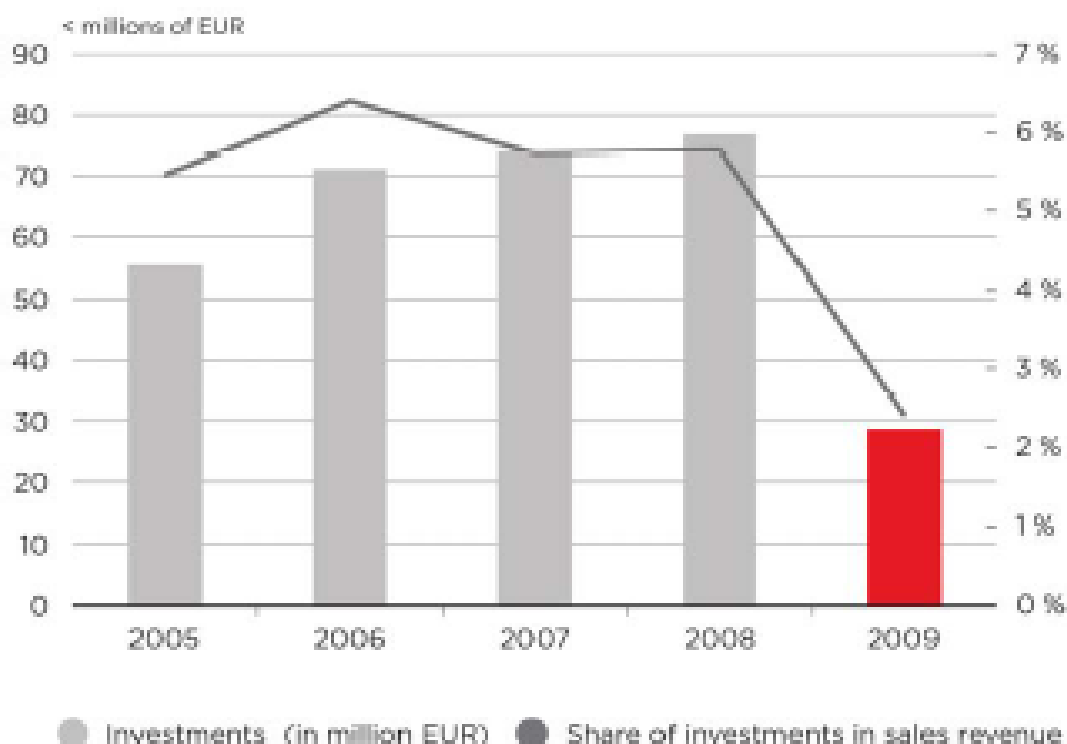
The continuing growth of the business activities and increase in competitive abilities are the new challenges in our business operation. We are aware that additional increase in production capacities either through takeovers or other forms of strategic partnerships will have to be implemented in order to be ranked among the five leading European manufacturers of household appliances.

We, at Gorenje, are prepared and are looking forward to taking on new challenges. We firmly believe in our further successful operation within the frames of set strategic goals and activities. Naturally, as **the most innovative, design-minded creator of products for the home.**

## 10.2 Investments

### 10.2.1 Description of Major Investments

Fig. 1: Investments in the Gorenje Group



In the period 2007 - 2009 a total amount of 179,645 thousand EUR was invested.

The structure of investments in intangible assets and in property, plant and equipment of the Gorenje Group by division was as follows:

in thousand EUR	2009	2008	2007
Household Appliances Division	19,072	58,550	57,013
Home Interior Division	1,792	1,524	6,946
Ecology, Energy and Services Division	7,868	16,733	10,147
<b>Total</b>	<b>28,732</b>	<b>76,807</b>	<b>74,106</b>

#### Year 2009

In 2009, the Gorenje Group invested 28.7 million EUR; of which 24.2 million EUR was invested in property, plant and equipment and 4.5 million EUR in intangible assets. Their total amount reduced by 48.1 million EUR over the year 2008 or 62.6 per cent. The main reason for such development has

to be found in the world financial crisis, due to which the Gorenje Group took some measures for the cash flow protection, limitation of investment volume and thus increased the safety of operation. Two thirds of total investments were implemented in the Household Appliances Division.

The investments in the year 2009 were exclusively intended for the continuation of activities in the field of product development and key markets that the Group has considered decisive at the time when the growth has returned to the markets:

- Project of **Combi 750 cooling – freezing appliances** for an industrial customer.
- Expansion of the product range of **cooking appliances for the Russian market**.
- **Introduction of appliances** in energy **classes A+ and A++**.
- **Transfer of a part of production** of appliances of the **Atag** trade mark to **the parent company**.

## Year 2008

### Household Appliances Division

**(investment volume 58,550 thousand EUR)**

Investment volume amounted to 58,550 thousand EUR; the major part was made within the parent company (36,480 thousand EUR) and in the companies Gorenje Invest, d.o.o. (5,918 thousand EUR), Gorenje Tiki, d.o.o., Ljubljana and Stara Pazova (2,503 thousand EUR) and Gorenje Polska Sp.z o.o. (3,237 thousand EUR):

- completion of the project of new generation of cooling- freezing appliances in a width of 540 mm,
- purchase of the technological equipment and tools for the project of free-standing cookers 600, built-in ovens and new hobs,
- purchase of hardware and software,
- replacement of worn and torn means of logistics,
- completion of the business - storage – exhibition centre in the company Gorenje Polska Sp. z o.o.
- construction of the business and commercial centre in Belgrade.

### Home Interior Division

**(investment volume 1,524 thousand EUR)**

The company Gorenje Notranja oprema, d.o.o., Velenje realised the major part of investments amounting to 1,139 thousand EUR. Other relevant investments were gas hook-up (the ceramics programme), establishment of a new tent storage on the location in Nazarje and reconstruction of the production hall in Maribor. The reconstruction of the kitchen factory that was badly damaged in a fire in 2006 was completed in the company Gorenje Kuchyne spol. s.r.o., Czech Republic.

### Ecology, Energy and Service Division

**(investment volume 16,733 thousand EUR)**

Investment volume in the field of ecology amounted to 12,982 thousand EUR, the major part amounting to 6,408 thousand EUR was made in the company Surovina, d.d., Maribor (purchase of land and equipment for the new establishments in Kranj, Nova Gorica and Ptuj), and the company Kemis, d.o.o., Radomlje, amounting to 4,501 thousand EUR (construction of a recycling centre in Vrhnika). Other companies of the division invested 3,751 thousand EUR, mostly in the renewal of the existing equipment.

## Year 2007

### Household Appliances Division

**(investment volume 57,013 thousand EUR)**

The Household Appliances Division realised the majority of investments and they amounted to 57,013 thousand EUR – a substantial part in within the parent company (35,542 thousand EUR) and in the companies Gorenje Tiki, d.o.o., Stara Pazova (4,031 thousand EUR), Gorenje Polska Sp. z o.o. (3,060 thousand EUR) and Gorenje Zagreb, d.o.o. (2,107 thousand EUR). Relevant investments realised in the Household Appliances Division in the year 2007 were:

- completion of the construction of the new production hall of the Indop programme,
- purchase of technological equipment for the projects in the programme of washing machines and dishwashers,
- purchase of technological equipment for the project of new generation of cooling –freezing appliances in a width of 540 mm,
- completion of the project of cooling-freezing appliances in a width of 540 mm in the factory Valjevo,
- beginning of the investment in the technological equipment for the project of new generation of cookers,
- investments in software and hardware for IT re-engineering,
- reconstruction of production facilities and purchase of technical equipment for enamel, assembly and welding line in the company Tiki, d.o.o., Stara Pazova,
- beginning of the construction of the business – storage – exhibition centre in the company Gorenje Polska Sp. z o.o.,
- beginning of the reconstruction of the facility of the logistic- distribution centre in Split and construction of an additional storage facility in Zagreb in the company Gorenje Zagreb, d.o.o.

#### **Home Interior Division**

**(investment volume 6,946 thousand EUR)**

The company Gorenje Notranja oprema, d.o.o., Velenje realised the major part of investments of the division amounting to 4,694 thousand EUR. The substantial part of funds was intended for moving of the kitchen production from Freistadt, Austria to Maribor. The company Gorenje Kuchyne spol. s.r.o., Czech Republic realised investments amounting to 2,250 thousand EUR. The substantial part of funds was used for the reconstruction of the kitchen factory in the Czech Republic because of a fire.

#### **Ecology, Energy and Services Division**

**(investment volume 10,147 thousand EUR)**

In the field of ecology and energy the investments were realised in the amount of 10,147 thousand EUR. The major part includes the investments in the company Surovina, d.d., Maribor (purchase of land for the new establishment in Kranj and equipment), and the company Vitales, d.o.o., Bosnia and Herzegovina (construction of two production facilities and purchase of technical equipment for the production of wooden pallets). The other companies of the division invested an amount of 3,088 thousand EUR, mostly in the renewal of the existing equipment.

**Presentation of investments of the Gorenje Group in the years 2009, 2008, 2007 by geographic segment<sup>2</sup>**

in thousand EUR	West			East			Other world			Group		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Investments	4,491	2,201	664	24,240	74,603	73,441	1	3	1	28,732	76,807	74,106

<sup>2</sup> West includes the companies of Western Europe, East of Eastern Europe, and other world includes the markets in other countries.

## 10.2.2 Description of the investments planned

### Survey of the investment plan by Division

In thousand EUR	Plan 2010
Household Appliances Division	21,924
Home Interior Division	2,449
Ecology, Energy and Services Division	4,422
<b>Total</b>	<b>28,795</b>

- An amount of 13.4 million EUR of total investment value of the **Household Appliances Division** is related to the investments made within the parent company, 2.3 million EUR to the investments of other production companies of the Division, 3.4 million EUR to the investments in the Atag companies and 1.0 million EUR to our Russian sales operations.
- The total budgeted value of the **Home Interior Division** has been intended for the parent company of the Division, the company Notranja oprema, d.o.o., for the technological and product harmonisation of the production.
- Out of the total investment potential of the companies **Ecology, Energy and Services Division** the amount of 3.1 million EUR has been invested in the company Surovina, d.d., and 0.5 million EUR in the Kemis companies. The investment activities of the Division in 2010 will be focused on the companies operating in the field of ecology that is a strategic activity of the Division. Business plans have been prepared with the Ecology and Energy Division that may exceed the framework set. The volume, effects and the financing method will be reported on in compliance with the established practice of informing the public and the investors.

## 11 Overview of operation

### 11.1 Main activities of the Gorenje Group

Main activities of operation in the year 2009

#### Household Appliances Division

The Household Appliances Divisions 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.

#### 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 South-eastern Europe, where the Company intends to strengthen its presence. The division generates approximately four percent of the total sales revenue of the Gorenje Group.



### **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.

## **11.2 All important new products / services whose development has been revealed to the public**

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, 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.

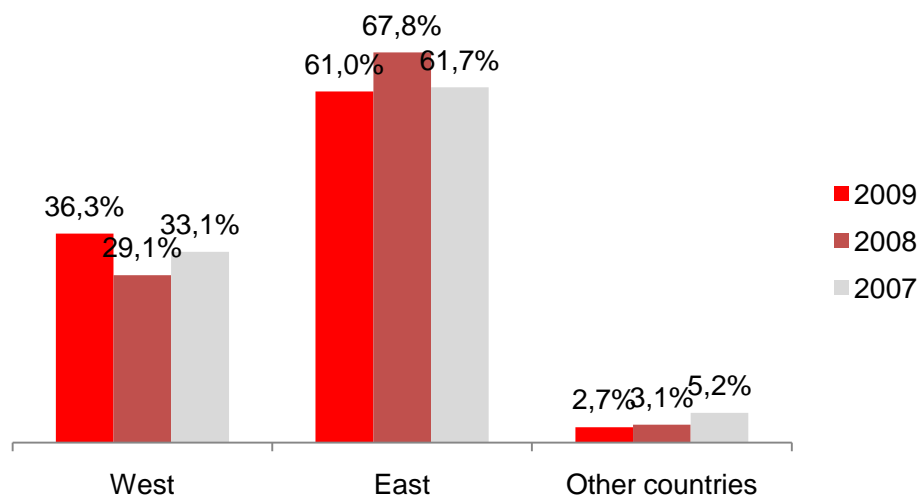
In 2010 the Company plans to completely renew its product line of kitchen furnishings.

### 11.3 Basic markets

Sales revenue to third parties and funds of the Gorenje Group by basic market<sup>3</sup>

In thousand EUR	West			East			Other world			Group		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Sales revenue to third parties	430,771	387,342	428,306	723,096	901,691	797,852	32,070	41,720	67,280	1,185,937	1,330,753	1,293,438
Total funds	300,862	277,774	205,974	876,838	921,331	721,364	977	58,627	72,377	1,178,677	1,257,732	999,715

Structure of sales revenue to third parties of the Gorenje Group by basic market



<sup>3</sup> West includes the companies of Western Europe, East of Eastern Europe, and other world includes the markets in other countries.

### 11.3.1 Household Appliances Division

#### 2009

In 2009 the Household Appliances Division sold 3,350,114 appliances of 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.

In addition to the fall one of the most visible consequences of the crisis was a change in the structure of sale of household appliances. Products of lower price brackets acquired an important share on account of expensive products. 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 the quantity sale of household appliances in the year 2009

	Industry	Gorenje Group**	Change in a market share of the Gorenje Group*
<b>WESTERN EUROPE</b>			
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
<b>EASTERN EUROPE</b>			
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
Rumania	-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
<b>TOTAL W EUROPE</b>	<b>-5.7 %</b>	<b>1.4 %</b>	<b>0.16</b>
<b>TOTAL E EUROPE</b>	<b>-25.5 %</b>	<b>-22.9 %</b>	<b>0.39</b>

Source: CECED.

\*Note: Change in percentage points.

\*\*Note: The sale of the Household Appliances Division excluding Atag was considered.

### **Western-European markets**

The first half of the year 2009 was marked by a sharp decline in sales of household appliances in the majority of our key markets. A gradual improvement of the conditions followed in the second half of the year, but the number of appliances sold in the western European market decreased by 5.7 percent in the year 2009. In spite of the negative movement 1.4 percent more of appliances were sold than in the year 2008 and thus our share increased 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 when our longstanding partner declared bankruptcy that specialised in catalogue sale of our products. The sales was redirected and strengthened in 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.

### **Easter-European markets**

The crisis gravely hit some of our key markets in Eastern Europe where the number of appliances sold dropped by a quarter. The Rumanian market lost most (44 percent). A great change in the demand was observed and demand shifted greatly to the products of a low and middle price bracket. A dramatic decrease was observed in the cooking appliances programme that accounts for 70 % in the structure of the Division sales in Russia.

In addition to all the consequences of the financial and economic crisis that we suffered in Slovenia the crisis resulted in these markets also devaluation of local currencies and therefore the products imported from the Euro-zone got even more expensive. Two important consequences were high inflation and a fall in purchasing power of inhabitants.

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.

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.

We, at the Gorenje Group could not completely avoid the decrease in the eastern-European markets, but limited the effects and thus the market share also in these markets increased in 2009.

### **Other world**

The third group of markets of the Gorenje Group includes other world with the markets of the Near and Far East and all other continents. The penetration into these markets is complex due to the specific characteristics of their legislation and needs for the adjustment of appliances.

Due to the fact that these markets are large and far away the sales approach is different there. In 2009 business activities increased in the area of Near East (United Arab Emirates, Oman and

Qatar). The activities have been carried out also in Iran, where contacts have been established with two distributors.

The area of Far East includes the markets of China, Hong Kong, Taiwan and Thailand. The sale in these markets has been introduced through the representative office in China. In 2009 we also received the first orders and real growth is expected in the year 2010, when several presentations of our products will be organised.

The sales activities in overseas markets have been established anew. The co-operation with the longstanding distributor of our products was terminated in Australia in 2009. Contacts with new potential partners have already been established and they will enable the sale in the most important Australian commercial chains. We have also found a new distributor in New Zealand.

## **2008**

The companies of the division generated sales revenue amounting to 1,050.1 million EUR and the volume of activities increased by 27.3 million EUR over the year 2007. The takeover of the company Atag amounting to 72.7 million EUR contributed to this growth in July. Out of the basic programme structure of own production the programme of cooking appliances remains the strongest and it is followed by cooling-freezing and washing – drying appliances. The auxiliary programmes has strengthened considerably by the takeover of Atag and the purchased programme has retained a double-digit dynamics of growth in the volume of activities for some years let.

The programme of heating – thermic technique suffered as the other companies of the division; the sales dropped in the last two months of the year, but in spite of that it exceeded the budgeted values and those reached in the year 2007.

Operation in the conditions of reduced demands for household appliances.

### **Western European markets**

All product groups, excluding dishwashing machines suffered the reduction in sales, totally about - 2.9 %. In terms of quantity, Gorenje increased its market share by 8 % (a total of 13 Western European markets).

In Germany the sales were lower than budgeted, but we succeeded in increasing market shares in volume – by 3 % and in value terms – by 5 %. The sales grew most in the segment of washing machines (by 12 %). The introduction of the new generation of cooking appliances resulted in an increase in market shares of this segment.

In Austria, the growth of sales and market shares was fast in all distribution channels and the results planned were exceeded. The market share increased by 5 % and was strengthened by intensive introduction of new products of the Gorenje trade mark.

In Scandinavia the growth was lower than budgeted. Nevertheless, we succeeded in keeping the total market shares. Slightly worse results were reached in Denmark, since the market share reduced by 3 %.

In Great Britain reduction in pound value weakened the sales when compared to the euro and therefore the sales plans set – were not implemented– mostly in value terms. The market shares that are relatively low did not change.

In France the sales planned was exceeded and the market simultaneously increased by 8 %, mostly in the segment of washing machines in high price brackets and a decrease in the share of sale of low-priced washing machines.

In Spain, Portugal and Italy the anticipated sales volume was not reached due to extremely poor situation in the market.

### **Eastern European markets**

In quantity terms the sales slightly increased by 4.3 % and in value terms by 6.9 % (8 countries in Europe, excluding Russia, the Baltic countries and Ukraine). The growth continued in some eastern markets; in South-eastern Europe a fall was mostly observed in the Croatian market. The sales plans for the majority of countries were exceeded, with the exception of Poland where the results was poorer than budgeted, but the market share remained unchanged. Some major markets suffered weakening of local currencies which made the position of exporters to these markets even more difficult.

In Slovenia, we kept the leading position in the market and a high market share in all product groups due to more intensive sales activities and introduction of new models of products.

In Croatia, we did not succeed in stopping the negative trend of falling sales which reflected in the reduction in market share. High illiquidity of the market, fluctuation of the local currency value and poor operation of some business partners are characteristic of this market and they complicate the position of Gorenje.

The sales plan set in Bosnia and Herzegovina was not implemented; the reason is poor liquidity in the market, increased unemployment, lack of confidence of consumers and consequently a reduction in orders.

The results achieved in Serbia were better than planned, market shares were kept or increased in segments of certain products. Continuation of expansion of our own retail network – Gorenje Studio. Gorenje with its production facilities in Valjevo and Stara Pazova has been recognised as a local producer.

The sales volume increased and a large market share was maintained in Montenegro. We intensively penetrated into the Albanian market by introducing the Gorenje trade mark and development of distribution. In Kosovo, the results were slightly below the plan. In Macedonia, the sale of low-priced products and poor financial solvency of customers were characteristics of the market. Sales results were exceeded, and market shares retained.

Sales plans in Russia were exceeded by further consolidation of the excellent position of the Gorenje trade mark and by the introduction of new designer lines producing good results. The market shares in Ukraine increased and better results were mentioned due to very small sales volume in this market.

Very fast growth of sales was observed in this market and it exceeded the growth of the Slovak market as a unit, the results planned were significantly exceeded. The sales volume was kept and the market shares increased in the Czech market, certain groups of products still have kept the leading position – by addition of the Gorenje and Mora trademarks.

In Rumania good sales results were achieved and the sales plan was exceeded in quantity terms. The results of the programme of cooking appliances were extremely good and the sales increased by more than 30 %.

### **Other world**

The influence of global crisis was observed also in this market and consequently a direct influence on the sales of Gorenje. The sales were mostly carried out under foreign trade marks and therefore they depend on sales success of business partners that achieved poorer results than budgeted. Market shares were kept or even increased in the majority of markets. In Australia the sales volume was significantly smaller, as well as in the USA. Sale in Canada exceeded our expectations and almost stopped at the end of the year. The sales objectives set in the Near East markets and Iran were completely achieved.

### **Western European markets**

The sale in the German market was slightly lower than budgeted due to the overall decrease in the market. In spite of that the growth of sale was achieved in quantity and value terms. The sale of washing machines – driers exceeded the budgeted plans. The share of sale of built-in appliances was strengthened. We succeeded in increasing the share of our own - Gorenje trade mark.

In the Austrian market the sales objectives were exceeded in quantity and value terms. Favourable economic growth had a positive impact on the sale of household appliances. In 2007 we succeeded penetrating into new chains of kitchen studios which will enable faster growth of Gorenje designer lines.

The sale of basic products was optimised in favour of appliances of a higher price bracket in the French market. It is of vital importance that further growth of sales of our own trade marks was achieved.

The successful development of our trademarks continued in the market in Great Britain, which reflected in a higher sales volume than the year before. Due to the crisis of the financial sector that led to cutting down private consumption and investments and to worsening of the exchange rate.

EUR – GBP - the sales achieved lagged slightly behind the objective planned. The quality growth of sales continues in the Scandinavian and Baltic markets where the objectives planned were achieved. Efficient activities of marketing and sales in the markets mentioned consolidate the reputation of an offered of top design, quality and innovative functions.

### **Eastern-European markets**

Favourable trends of sales growth of household appliances were used in the Slovak and Czech markets. A double-digit sales growth was achieved in these markets and the market share of own trade marks increased. Similar growth was observed also in the markets in Poland and Hungary.

In 2007, the fastest sales growth and an increase in market shares were achieved in the markets of Serbia and Montenegro. In Serbia, the development of our own retail network – Studio Gorenje started where the complete range of products of the Gorenje Group is offered on one place. Successful sales results were also successful in the markets of Bosnia and Herzegovina, Croatia, Macedonia, Kosovo and Slovenia. The production of appliances from the new factory in Valjeno influenced the performance of the marketing area.

Maintenance of large market shares in individual countries of the marketing area will be an important challenge also in the future. The Croatian market also represents an important challenge, mostly because of considerable changes in channels of trade. When compared to the year 2006 the fastest sales growth was observed in the Russian market and it fully achieved the objectives planned for the year 2007. A similar growth rate was achieved also in the Ukrainian market where positive growth was observed in the complete sales range of the Gorenje trade mark. The growth of sales was fast also in the Romanian market; the sales volume increased slightly in Bulgaria and a large market share was maintained there.

### **Other world**

In spite of unfavourable exchange rate American dollar - Euro the volume of sales in the market of the United States of America and Canada remained at the level of the year 2006. Signs of the recession in America led to the fact that sales did not achieve all the objectives planned. Also in Australia, the volume of sales was slightly below the objectives planned. In 2007 we obtained all the necessary tests for the sale of appliances in China which will enable our sale in the market mentioned. We were also successful in the sale in Near East, where the sales volume increased mainly in the markets of Iran and Israel.



### 11.3.2 Home Interior Division

#### 2009

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 which reduced by 31 percent in 2009.

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.

#### 2008

By 59.1 million EUR the Division achieved the sales volume that was lower by 6.1 million EUR or 9.3 %. It observed an important growth in the markets of South-eastern Europe a slight decrease in the domestic market and an almost 10 percent fall in other markets and EU markets.

The kitchen furnishings programme accounting for a 45 percent share remains the most important programme in the sales structure. Faster growth in value is more characteristic than the quantity growth, mostly because of the sale of a high-price bracket of products. A similar situation applies to the programme of bathroom furnishings and sanitary equipment with a 21 percent share in total sales revenue of the Division. Other furniture (bedrooms, living rooms, children' rooms, halls) accounted for 11 percent of revenue. Successful operation of the programme of ceramic tiles that was lower in quantity, achieved record sales in value. It exceeded the objectives set and achieved a 9 percent sales growth; the share of the programme increased to 17 percent in the structure.

#### 2007

The Division mentioned suffered a fire in the production facilities in the Czech Republic in the year 2007. In spite of the fire we succeeded in neutralising the delays in the production by good organisation of production activities in other locations of the Home Interior Division. The economic position of the production facility in Austria additionally influenced the operation of the division where we divided to transfer the production capacities to Maribor. To a great extent, the positive effects of this transfer will reflect in the operation of the Division in the year 2008.

The programme of kitchen furnishings remains most important in the sales structure. In 2007, its share increased by 2 structural points and amounts to 47 percent which is in compliance with the strategy of the Division's development.

Products of bathroom furnishings and sanitary equipment account for 19 percent of sales revenue. Other furniture (bedrooms, living rooms, children's rooms) represented 11 percent of sales revenue of the Division.

By revamping and quality improvements of all its programmes the Home Interior Division made a transition from lower-priced to mid-priced markets. Sales of ceramic tiles were record in volume and value, and increased by 16 percent compared to 2006.

In 2007, Western European markets were marked by further restructuring of distribution channels. There, as well as in Central European markets, the division generated the majority of its sales through the existing buyers. Eastern European markets, most notably Russia and the Ukraine, contributed the most to the division's sales revenue growth. This is attributable to the high recognition of the Gorenje brand in the area, which is also supporting sales of kitchen and bathroom furniture.

### **11.3.3 Ecology, energy and services**

#### **2009**

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.

## 2008

The revenue in the field of, energy doubled when compared to the figures planned and exceeded 150 million EUR with the operation of subsidiaries. In Slovenia, grants intended for the promotion of use of this energy product had a favourable influence of the sale of wood biomass. The exceeded realisation and profit or loss in the area of marketing an electricity sale were implemented mainly by marketing of electricity in new markets in Serbia, Hungary, Greece and Albania.

New buyers of coal were acquired in Italy and Hungary, the major part of coal from the contractual year 2008/2009 was sold already in the year 2008. A large portion of electricity sale in Slovenia was obtained from domestic sources. Part of the wood biomass was supplied by the Company's own production facilities in Bosnia, and more than half of the biomass was purchased from Slovenian manufacturers. The source of eco coal was limited to Indonesian sources. Due to higher demand, a portion of the coal was also purchased through two other suppliers.

Sales in the area of ecology were recorded in the amount of 97.9 million EUR and exceeded the targets by more than 20%. The key contributors to this result were Surovina (78%), followed by the area of hazardous waste processing led by Kemis (13.4%), while 8.3 million EUR or 8.4% was contributed by the companies Erico, Econo and Publicus. The companies based in Slovenia and Croatia surpassed the planned sales, while a slight decline was recorded in B&H and Serbia.

Having rounded off its offer of services, this area is becoming an increasingly more important player in the market of integral management of industrial and hazardous wastes. This sound basis has improved conditions for the expansion of the service pallet and expansion to the markets of neighbouring countries. The consequences of the crisis were strongly felt in the last quarter of 2008, primarily in secondary raw materials. The negative trend is expected to continue into 2009 and directly or indirectly affect other companies as well.

In the area of services the companies Gorenje GTI, d.o.o., and Gorenje Gostinstvo, d.o.o. retained an important share in the total sales revenue.

## 2007

In 2007, the Ecology, energy, and services Division achieved the fastest growth of sales volume. Revenue increased by 70 percent over the year 2006.

The largest share of growth was achieved by the development of new activities in the division that have higher potential growth of revenue and profitability. In January we became a 51-percent owner of the company Surovina representing the holders of further development in the area of ecology and hazardous waste management together with the companies Kemis in Slovenia, Croatia, Serbia and Bosnia. The company Kemis Zagreb successfully acquired the company Termoclean Zagreb. The ecology and hazardous waste management area represent a 35- percent share in the sales structure.

The development of the energy area continued successfully and it is carried out in scope of the company Istrabenz Gorenje. In August 2007 Istrabenz Gorenje sold the company APC that is engaged in electricity trading that represents a relatively large share in the revenue of this company. The energy area increased revenue by almost 20 percent over the year 2006. The energy area represents an almost 51 – percent share in the sales structure of the division.

The leading company in the field of services, namely Gorenje GTI, d.o.o., Velenje, exceeded the objectives planned by 18.9 percent. The sale of tractors, fork-lift trucks, non-ferrous metal and medical equipment were of essential importance.

### **11.4 Dependence of the Issuer on patents, licences, industrial, new production processes, commercial or financial contracts**

The Issuer does not depend on patents, licences, industrial, new production processes, commercial or financial contracts. The Issuer mostly uses its knowledge, technology and production processes in its products.

### **11.5 Starting point of all statements of the Issuer about its competitive position**

The Gorenje Group generates approximately 90 percent of its net sales revenue by export to more than 70 countries in the world. In 2009, its production amounted to 3.4 million pieces of large household appliances. The Gorenje Group achieved an almost 4 percent market share of household appliances in Europe; 85 percent of products are sold under its own trade marks.

## **12 Organisational structure**

### **12.1 Short Description of the Group and the Issuer's position in it**

**The Issuer Gorenje, d.d., is an umbrella company and founder or direct or indirect owner of subsidiaries of the Gorenje Group.** The companies of the Group are divided into three divisions: Household Appliances Division, Home Interior Division and Ecology, Energy and Services Division. The Household Appliances Division consists of production and trading companies. The production of household appliances is organised in the company Gorenje, d.d., Mora Moravii s r.o., Czech Republic and the company Gorenje aparati za domačinstvo, d.o.o., Serbia. Additionally, the Household Appliances Division includes also the assistive production companies Gorenje I.P.C., d.o.o., Gorenje Orodjarna, d.o.o. and Gorenje Tiki, d.o.o., Ljubljana and Gorenje Tiki, d.o.o., Serbia as producers of heating-thermic technique. The Dutch company Atag as a relevant company offering household appliances has to be pointed out among the most important companies in the Household Appliances Division. Other companies of the Household Appliances Division are trading companies.

The Home Interior Division consists of the companies Gorenje Notranja oprema, d.o.o., as the holding company and the subsidiary Gorenje Kuchyne s r.o., Czech Republic.

The Ecology, Energy and Services Division consists of the companies that are engaged in ecology – mostly removal of waste and its processing, the companies engaged in offering and distribution of electricity and the companies engages in trading and services.

### **12.2 List of subsidiaries of the Issuer**

As of 31 December 2009 the Gorenje Group besides the **holding company Gorenje, d.d.** includes also the following subsidiaries and jointly controlled companies.

<b>Companies based in Slovenia</b>		<b>Ownership share (in %)</b>	<b>Division</b>
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	AD
2.	Gorenje Tiki, d.o.o., Ljubljana	99.982	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	49.344	EES
11.	GEN-I, d.o.o., Krško	24.67	EES
12.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	49.344	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	49.344	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	49.344	EES
20.	PUBLICUS, d.o.o., Ljubljana	51.00	EES
21.	IG AP, d.o.o., Kisovec	49.344	EES
22.	IGP, d.o.o., Trbovlje	24.67	EES

Companies based 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., Slovakia	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 domačinstvo, 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, Netherlands	100.00	AD
71.	ATAG Nederland BV, Netherlands	100.00	AD
72.	ATAG België NV, Belgium	100.00	AD
73.	ATAG Financiële Diensten BV, Netherlands	100.00	AD
74.	ATAG Financial Solutions BV, Netherlands	100.00	AD
75.	Intell Properties BV, Netherlands	100.00	AD
76.	ATAG Special Product BV, Netherlands	100.00	AD
77.	Gorenje Nederland B.V., 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

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

On 25 January 2010 a decision of the District Court in Kranj was issued concerning the entry of the establishment of the company EKOGOR družba za predelavo in obdelavo odpadkov, d.o.o., Jesenice. The partners of the company include also the company PUBLICUS, d.o.o., Ljubljana (majority owner holding 51 percent).

## 13 Property and equipment

### 13.1 Existing property, plant and equipment

The Gorenje Group and the Issuer Gorenje, d.d. owned the following property, plant and equipment in the years 2009, 2008 and 2007.

#### Gorenje Group

in thousand EUR	2009	2008	2007
Land	60,033	57,270	45,168
Buildings	170,617	162,982	158,245
Manufacturing plant and other equipment	145,662	164,546	163,202
Real estate, plant and equipment in the course of construction	6,489	28,155	18,176
<b>Total</b>	<b>382,801</b>	<b>412,953</b>	<b>384,791</b>

#### Issuer Gorenje, d.d.

in thousand EUR	2009	2008	2007
Land	20,118	20,118	12,954
Buildings	59,382	58,307	61,879
Manufacturing plant and other equipment	90,737	108,965	109,946
Real estate, plant and equipment in the course of construction	2,030	8,302	4,613
<b>Total</b>	<b>172,267</b>	<b>195,692</b>	<b>189,392</b>

### 13.2 Description of environmental problems that may influence the use of property, plant and equipment

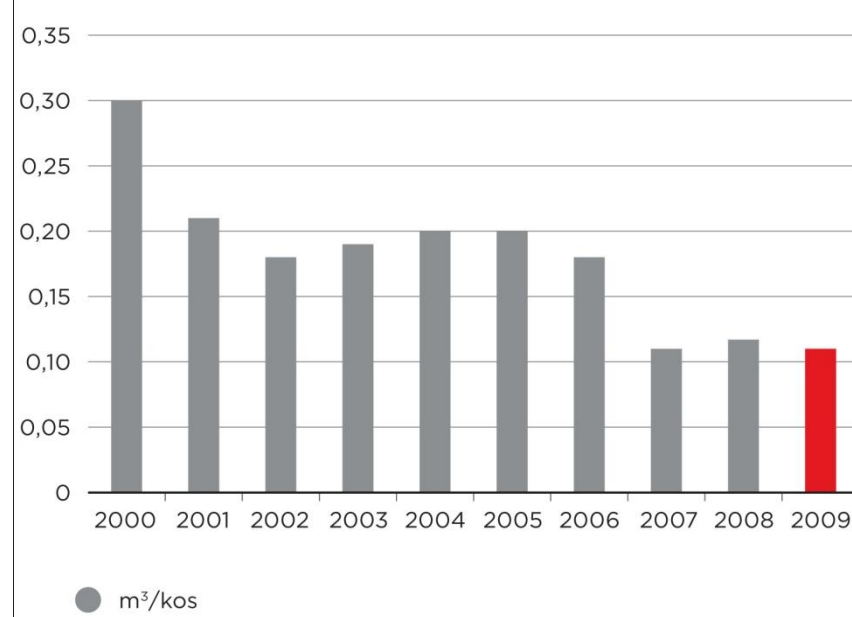
In line with the principles of sustainable development, the Gorenje Group devotes a great deal of attention to environmental protection. By regularly modernising our technological processes and equipment, we are implementing the Group's environmental policy.

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.

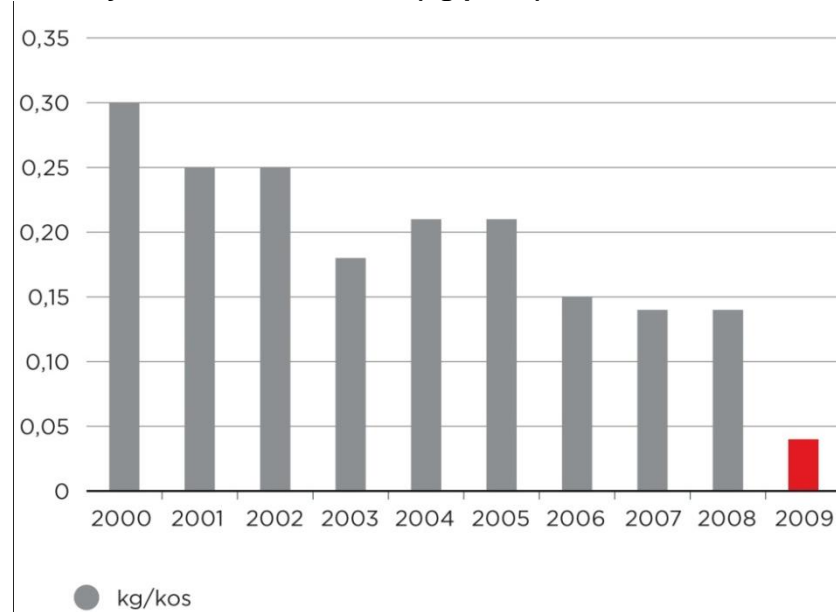
**Reduction of water consumption in the Gorenje Group (m<sup>3</sup>/piece)**



Source: Data of the Gorenje Group

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)**

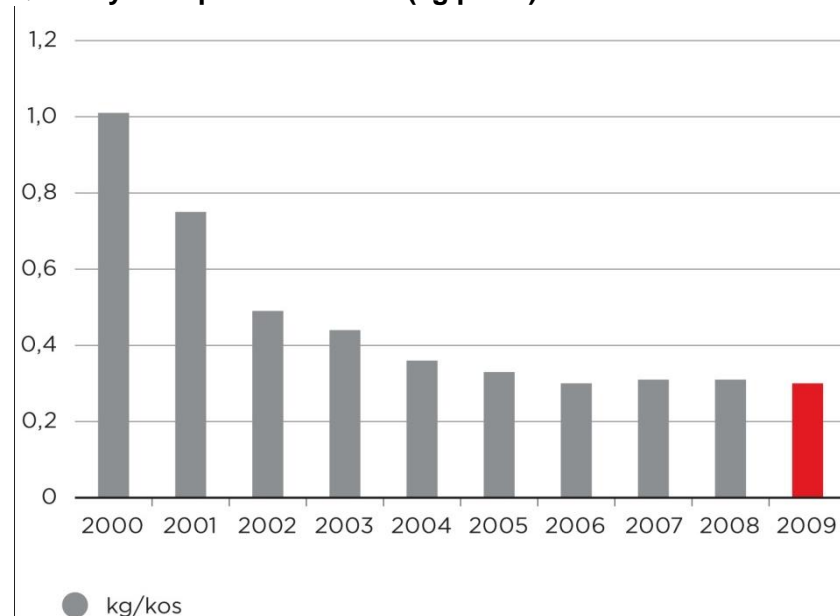


Source: Data of the Gorenje Group

Based on the fixed environmental protection goals, the Gorenje Group has prepared a plan for the management of wastes and the introduction of their separate collection, and by optimising the consumption of materials has substantially reduced the quantities of hazardous and deposited wastes.



**Quantity of deposited wastes (kg/piece)**



Source: Data of the Gorenje Group

## 14 Operation and financial review

### 14.1 Operating results

#### 14.1.1 Analysis of operation for the years 2009, 2008 and 2007

Performance of the Gorenje Group in the years 2009, 2008 and 2007

In thousand EUR	2009	2008	2007
<b>Consolidated sales revenue</b>	1,185,937	1,330,753	1,293,438
<b>EBITDA</b>	68,199	94,014	92,857
<b>EBITDA margin (%)</b>	5,8 %	7,1 %	7,2 %
<b>EBIT</b>	12,149	36,893	39,646
<b>EBIT margin (%)</b>	1,0 %	2,8 %	3,1 %
<b>Total profit or loss</b>	-9,308	15,473	29,400
<b>Net profit or loss</b>	-12,232	10,181	36,664
<b>ROS (return on sales)</b>	-1.0 %	0.8 %	1.8%
<b>ROA (return on assets)</b>	-1.0 %	0.9 %	2.5%

#### 2009

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.

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.

Expensive inventories of raw materials and materials contributed to a poor profit or loss of the first half of the year 2009 when discussing the operation of the household appliances division. Gorenje concluded contracts for fixing prices for some raw materials and materials at the beginning of 2008 and the effects were gradually annulled to the end of the first quarter 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.

## **2008**

A key characteristic of operation was worsening of operating quality of the Group in the conditions of the global financial and economic crisis that importantly contributed to the decline in scope of business activities in the last quarter of the year 2008. The reduction in the large number of November and December orders when compared to the anticipated scope is the main reasons that the assessment of net profit or loss changed to the end of the year, which resulted in the non-achievement of the objectives planned.

In spite of difficult operating circumstances the Gorenje Group reached growth in the scope of activities, which is the positive impact of the company Atag taken over in July (its scope of sales from the month of take-over on amounted to EUR 72.7 million and EBITDA to EUR 8.7 million). Exceeding is mostly the result of an increase in revenue of the Ecology, energy and services division, but the scope of operation in the Household Appliances Division and Home Interior was below the level of a comparable year. This is mostly the influence of the financial crisis and recession on the sales volume in the last quarter of 2008.

## 2007

The Gorenje Group successfully ended the financial year 2007. We achieved the majority of the planned categories of business accounts and a double-digit growth in sales revenue over the year 2006 and surpassed the planned net profit or loss also for the year 2007.

In 2007, the operation of the Household Appliances Division was marked by high prices of raw materials and materials that were by 2.5 percent above the price level of the year 2006 on average. A direct negative effect of high purchase prices of materials and raw materials amounted to almost 10 million EUR.

### 14.1.2 Significant material changes in net sales

A significant material change in the net sales in the year 2008 and the following year when compared to the previous periods was the take-over of Atag in July 2008. The details of the effect on net sales because of the take-over of Atag are described in the previous section where the operation of the Gorenje Group has been analysed.

### 14.1.3 Information about each government, economic, monetary policy that significantly influences the operation of the company

In 2009, some of the companies of the Gorenje Group based in Slovenia, including the parent company Gorenje, d.d. took advantage of the measures adopted by the National Assembly of the Republic of Slovenia or the Government of the Republic of Slovenia for the mitigation of consequences of the financial and economic crisis. Among others we took advantage of the partially subsidized full-time, partial refund of compensation benefits paid to lay-offs refund of training costs and the guarantee scheme of the Republic of Slovenia.

When taking measures adopted by the National Assembly of the Republic of Slovenia or the Government of the Republic of Slovenia the Gorenje Group for the mitigation of financial and economic crisis played an important role as an initiator of system solutions for job preservation and other measures for mitigation of the consequences of the crisis.

## 15 Capital assets

### 15.1 Information on capital assets of the Issuer

#### 15.1.1 Investments in shares of the companies

Capital assets include investments in the following shares

in thousand EUR	Investment as of 31 Dec. 2009	Investment as of 31 Dec. 2008	Investment as of 31 Dec. 2007
Gorenje I.P.C., d.o.o., Velenje	377	377	377
LINEA SP, d.o.o., Velenje	0	125	125
Gorenje GTI, d.o.o., Velenje	8,795	8,795	8,795
Gorenje Gostinstvo, d.o.o., Velenje	5,958	5,958	5,958
Gorenje Orodjarna, d.o.o., Velenje	3,038	3,038	3,038
Indop, d.o.o., Šoštanj	1,000	1,000	1,000
Gorenje Notranja oprema, d.o.o., Velenje	18,215	18,215	18,105
Gorenje Tiki, d.o.o., Ljubljana	7,001	7,001	5,738
Energygor, d.o.o., Velenje	58	58	58

Kemis, d.o.o., Radomlje	1,353	1,353	1,353
Surovina, d.d., Maribor	12,036	12,036	11,727
ERICo, d.o.o., Velenje	256	256	256
ZEOS, d.o.o., Ljubljana	242	242	242
Gorenje Zagreb, d.o.o., Croatia	14,553	12,604	12,604
Gorenje Skopje, d.o.o., Macedonia	538	538	538
Gorenje Beteiligungs GmbH, Austria	0	31,257	21,568
Gorenje Tiki, d.o.o., Serbia	10,947	7,947	6,449
Mora Moravia, a.s., Czech Republic	8,750	8,750	8,750
Gorenje Adria Nekretnine, d.o.o. Croatia			410
STB Nekretnine, d.o.o., Serbia	50	50	50
Istrabenz Gorenje energetski sistemi, d.o.o., Ljubljana	5,755	5,755	5,145
Gorenje Projekt d.o.o., Ljubljana	87	87	0
Publicus, d.o.o., Ljubljana	2,000	2,000	0
Gorenje design studio, d.o.o., Velenje	260	260	0
ATAG Europe B V, Neterlands	0	131,038	0
Gorenje Nederland B.V., Netherlands	131,106	90	0
<b>Total</b>	<b>232,375</b>	<b>258,830</b>	<b>113,862</b>

#### Changes in investments of Gorenje, d.d. in subsidiaries of the Gorenje Group

##### Year 2009

Increase in investments in subsidiaries:

- increase in capital of the subsidiary Gorenje Zagreb, d.o.o. amounting to 1,949 thousand EUR,
- increase in capital of the subsidiary Gorenje Beteiligungs GmbH, Austria amounting to 7,244 thousand EUR,
- increase in capital of the subsidiary Gorenje Tiki, d.o.o., Serbia amounting to 3,000 thousand EUR.

Reduction in investments in subsidiaries of the Group refers to the sale of the subsidiary Linea SP, d.o.o., Velenje and the subsidiary Gorenje Beteiligungs GmbH, Austria that was sold for the amount 42.4 million EUR to the company Gorenje Nederland B.V. Simultaneously, Gorenje Nederland B.V. became a 100-percent owner of the Atag Group, which results in the harmonisation of managing the distribution companies of the Household Appliances Division within one company. Gorenje Nederland B.V. is 100-percent owned by the holding company.

##### Year 2008

Increase in investments in subsidiaries of the Group:

- increase in capital of the subsidiary Gorenje Notranja oprema, d.o.o. amounting to 110 thousand EUR,
- increase in capital of the subsidiary Gorenje Tiki, d.o.o. amounting to 1,263 thousand EUR,
- additional entry of the investment in the subsidiary Surovina, d.d. amounting to 308 thousand EUR,
- increase in capital of the subsidiary Gorenje Beteiligungs GmbH, Austria amounting to 9,599 thousand EUR,
- increase in capital of the subsidiary Gorenje Tiki, d.o.o., Serbia amounting to 1,498 thousand EUR,
- increase in capital of the subsidiary Istrabenz Gorenje energetski sistemi, d.o.o. amounting to 610 thousand EUR.

**Year 2007**

Increase in investments in subsidiaries of the Group:

- investments in Gorenje Tiki, d.o.o., Serbia amounting to 6,449 thousand EUR,
- purchase of shares of Surovina , d.d., Maribor in the amount of 6,106 thousand EUR and transfer of the investments amounting to 5,621 thousand EUR from the associated company to the subsidiary due to the achievement of a 51% ownership share,
- increase in capital of the subsidiary Gorenje Beteteiligungs GmbH, Austria amounting to 5,000 thousand EUR,
- increase in capital of the subsidiary ZEOS, d.o.o. amounting to 29 thousand EUR,
- establishment of the company Indop, d.o.o. amounting to 1,000 thousand EUR,
- investment in the subsidiary Erico, d.o.o. amounting to 256 thousand EUR, establishment of the company STB Nekretnine, d.o.o. in the amount of 50 thousand EUR.

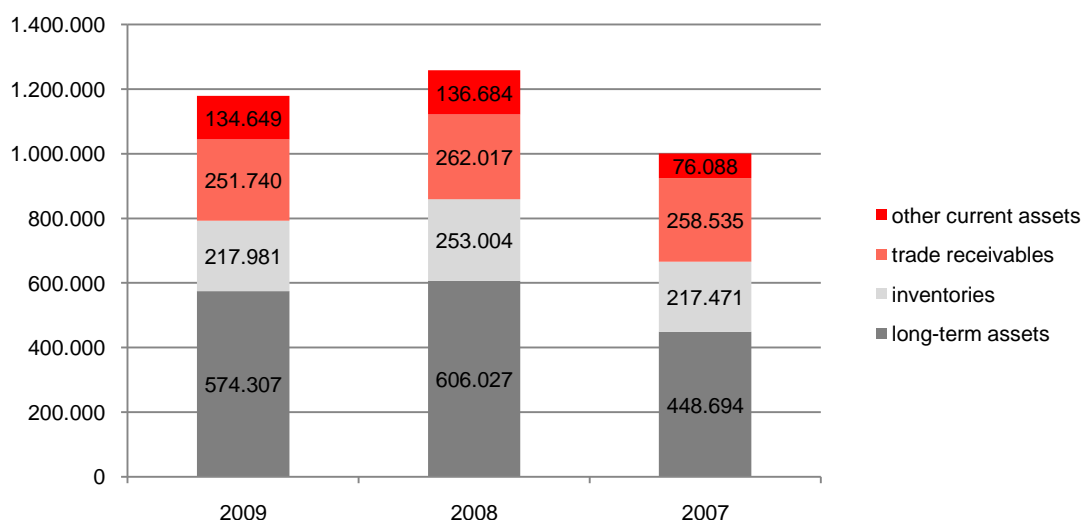
**15.1.2 Assets of the Issuer and their maturity**

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

The value of current assets decreased by 47.3 million EUR when compared to the end of the year 2008. The main reason is the reduction in inventories (by 35.0 million EUR) and trade receivables (by 10.3 million EUR) as a consequence of anti-crisis measures of the Group and reduction in sales.

In the structure of assets the share of long-term assets accounted for 48.7 percent and increased by 0.5 percentage point over the previous year.

**Structure of assets of the Gorenje Group in thousand EUR**



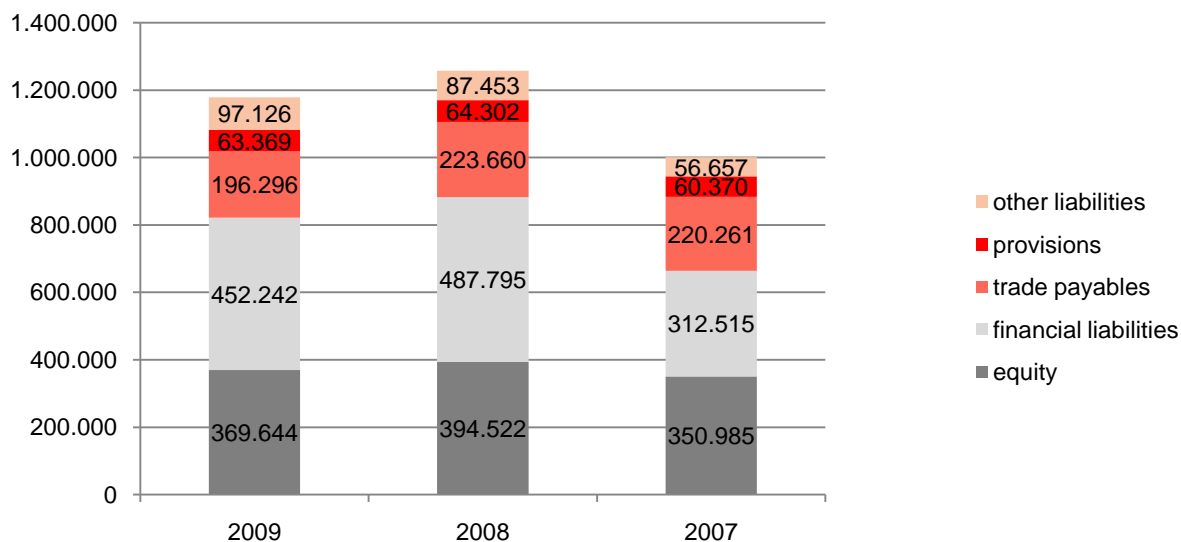
**15.2 Explanation of resources and amounts and description of cash flows**

**15.2.1 Explanation of resources**

At the end of the year 2009 equity capital amounted to 369.6 million EUR and decreased by 24.9 million EUR or 6.3 percent when compared to the end of the year 2008. This was a consequence of the negative net profit or loss in the year 2009, revaluation of investments to fair value and optimisation of cash flow. In the structure of liabilities the share of equity represented 31.4 percent and remained unchanged when compared to the end of the year 2008.

Short-term trade payables decreased by 27.4 million EUR and followed the fall in production. Their share in the structure of liabilities consequently reduced by 1.1 percentage point; at the end of 2009 it amounted to 16.7 percent. The sharpest fall was observed in trade payables for investments since their volume decreased significantly.

### Structure of liabilities of the Gorenje Group in thousand EUR



## 15.2.2 Description of cash flows

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

### Financial flow of the Gorenje Group (in thousand EUR)

	2009	2008	2007
Net cash flows from operating activities	65,577	38,916	26,122
Net cash flows from investing activities	-19,458	-191,338	-64,407
Net cash flows from financing activities	-43,104	158,853	49,923
Net increase in cash and its equivalents	3,015	6,431	8,638

We responded to the consequences by an investment cycle, within which some take-overs were carried out (the last one is the Dutch Atag) and direct investments (e.g. construction of the factory in Valjevo). A consequence of intensive investing was operation with a negative cash flow.

In 2009 the position in financial markets got very strict and the Gorenje Group adjusted to it quickly by anti-crisis measures and thus secured its cash flow. The value of investments and working capital decreased and one of the most important objectives of the year 2009 was achieved – operation with a positive cash flow.

The Gorenje Group increased net cash flows from operating activities by 26.7 million EUR (by 68.5 percent) in the year 2009. The result was mostly a consequence of the reduction in inventories amounting to 35.0 million EUR and trade receivables amounting to 10.3 million EUR. Both items increased in 2008 and had a negative impact on net cash flows.

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

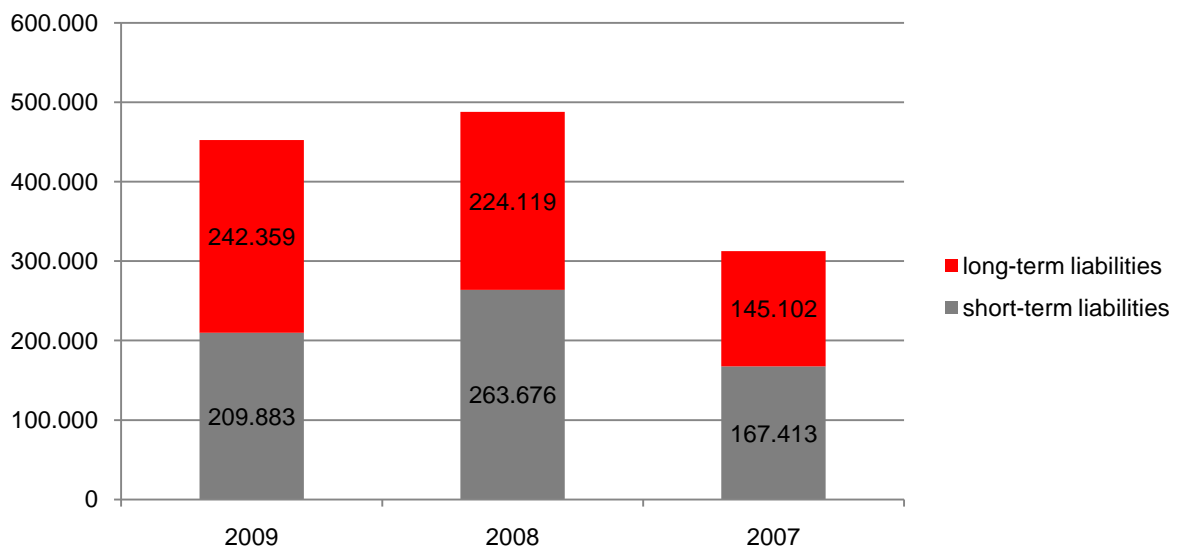
Net cash flows from investing activities increased by 171.9 million EUR over the previous year, which is a reflection of poor investing. In 2008 the Gorenje Group planned 90 million EUR funds for the purchase of Atag and own shares of Gorenje for the remaining portion of purchase money. In 2009 we were not active in the field of take-overs; the only exception is purchase of a minority share in Surovina amounting to 7.6 million EUR. Important results were achieved by anti-crisis measures in the field of reduction of working capital.

### **15.3 Information about borrowing requirements and financing structure of the Issuer**

In 2009 financial liabilities decreased by 35.6 million EUR (or 7.3 percent) over the year 2008, since the majority of free cash flow was allocated to the repayment of loans received. At the end of the year 2009 financial liabilities represented 38.4 percent in the structure of liabilities or 04. percentage point less than in the previous year.

In addition to the reduction in financial liabilities in 2009 the structure of their maturity was observed, since the share of short-term financial liabilities decreased and that of long-term ones increased.

#### **Structure of financial liabilities of the Gorenje Group in thousand EUR**



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

In 2009 the Gorenje Group had no liquidity problems. A ratio of long-term assets to long-term resources amounted to 118.6 % at the end of the year 2009. Funds amounting to 162.7 million EUR were freely available at the end of the year, cash or cash equivalents (27.1 million EUR), short-term deposits in banks (16.1 million EUR) and non-utilised granted revolving loans (119.4 million EUR).

## 16 Information about trends

### 16.1 Strategic focus of operation of the Gorenje Group

**Basic strategic focus** of the operation of the Gorenje Group is quality and balanced growth of volume of business activities and a significant increase in the level of competitive abilities within the framework of the basic activity of production and sale of household products and other activities, which will enable its efficient development also in the future.

**Vision of the Gorenje Group** is to become the most original, design-minded creator of home appliances in the world.

**and thereby it is its mission** to 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 the owners, employees and other partners of the Gorenje Group in a socially responsible manner.

In pursuing our vision, mission and strategic objectives, we foster those **values** that are united in the word **POLKA**: **p**robity, **o**penness, **l**oyalty, **c**reativity and **a**mbition.

To achieve the goals embodied in our new strategic plan, we have added two new values: responsibility and effectiveness.

**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.

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 40 thousand EUR,
- basic financial ratios above the competitor average,
- a positive economic profit (premium above the weighted average cost of capital – WACC).

The information about the trend of introduction of new products is described in detail in Section 11.2 of the prospectus.



## **16.2 Present trends in the household appliances industry**

### **Situation 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 double-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 where 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.

### **Forecasts of international institutions**

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.

## 17 Data on management bodies

### 17.1 The Management Board and the Supervisory Board

#### Management Board of Gorenje, d.d.

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

The Management Board started its five –year term of office on 18 July 2008 lasting until 18 July 2013.

The President of the Management Board Franc Bobinac is also a member of the supervisory board of ETI d.d., IEDC d.o.o. and Surovina d.d., the Member of the Management Board Mirjana Dimc Perko is also a member of the supervisory board of Skupne pokojninske družbe, d.d., RSG kapital d.o.o. and Surovina d.d., and the Member of the Management Board Drago Bahun is the President of the supervisory board of Pošta Slovenije d.o.o.

#### Franjo Bobinac, President of the Management Board



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 Supérieure 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 five-year 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 Household 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 Household 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.

**Supervisory Board of Gorenje, d.d.**

As of 29 June 2006 the shareholders' meeting elected the Supervisory Board that started its four-year term of office on 18 July 2006 – lasting until 18 July 2010.

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,
- Jurij Slemenik.

Until May 31<sup>st</sup> 2010, Mr. Krešimir Martinjak was a Supervisory Board member as a representative of the employees. His resignation is a result solely of legal and formal reasons. Given the fact that the shareholders adopted at the 14<sup>th</sup> Shareholders Assembly of Gorenje, d. d., held on May 18<sup>th</sup> 2010, the changes to the Article 15 of the company Articles of Association, which defines the number and composition of Supervisory Board members and in respect thereto provides that six Supervisory Board members shall represent the interests of the capital and four members shall represent the interests of the employees, and that the District Court of Celje confirmed by its decision dated June 2<sup>nd</sup> 2010 the said changes to the Articles of Association, the composition of the Supervisory Board following the entry of the changes to the Articles of Association into the Court Register would have been incompliant with the Articles of Association.

#### **Jože Zagožen, Ph.D., 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. 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.

#### **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.

#### **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.

The function of the Member of the Supervisory Board in other companies is carried out by Andrej Presečnik, who is a Member of the Board of directors in Kapitalska zadruga and a member of the supervisory board of Ljubljanske mlekarne.

### **New Supervisory Board members pursuant to Shareholders Assembly resolution dated May 28<sup>th</sup> 2010**

On May 28<sup>th</sup> 2010, Shareholders Assembly appointed the new Supervisory Board, representatives of capital. The newly appointed Supervisory Board members shall assume their four-year terms on July 19<sup>th</sup> 2010; their terms shall last until July 19<sup>th</sup> 2014.

Following are the Supervisory Board members representing capital:

- Marcel van Assen, Ph.D.
- Peter Kraljič, Ph.D.
- Maja Makovec Brenčič, Ph.D.
- Keith Miles
- Uroš Slavinec

**Marcel van Assen**, Ph.D., born in 1969, is a senior consultant in the production management team at the leading Ducth consulting company Berenschot. Mr. van Assen is responsible for the practices of operative excellence (excellence in production management). His consulting experience include numerous topics in production and innovation management, ranging from operative excellence, lean manufacturing, and Six Sigma, to innovation assessment based on strategic discussions and appraisal interviews, road mapping method, and foresight, both for manufacturing and service organizations. In addition, he is a lecturer in various courses and at numerous workshops and special lectures on operative excellence in service industry at the TiasNimbas Business School. He received his M.A. majoring in engineering at the University of Twente, and an M.A. in strategy and organization from the Open University. He received his Ph.D. from the Erasmus University in Rotterdam, majoring in business administration. Mr. van Assen co-authored numerous articles and books, including i) Operative Excellence in Contemporary Style; ii) Supply Change Management Practice; iii) Key Management Models; and iv) Reconfiguration of Chains and Networks. Mr. van Assen has competences of relevance for Gorenje in the following fields:

- 1) Operative excellence and combination of lean manufacturing and the Six Sigma model;
- 2) Open innovations and strategic discussions and interviews / coaching

**Peter Kraljič**, Ph.D., born July 1<sup>st</sup> 1939, received the title of B.S. in Metallurgy from the University of Ljubljana; Ph.D. in engineering at the Technical University in Hannover; and MBA at the INSEAD institution in Fontainebleau. From 1970 to 2002 when he retired, he was employed at the McKinsey & Co., Inc.; from 1982, he was the director of this company. From 1967 to 1970, he was employed at la Continentale Nucleaire, Luxembourg; from 1965 to 1967, he worked at TH Hannover; in 1964, he was active in insurance industry in Slovenia. His activities are related predominantly to manufacturing, such as the chemical, pharmaceutical, automotive, and steel industry, as well as to supporting services for manufacturing, in Germany, Austria, France, and Eastern Europe. He has published numerous scientific and business-oriented articles in reputable publications. He was also a speaker at many meetings, institutions, and forums, where he lectured on several topics including restructuring of industry and companies in the territory of Eastern Europe. He is a member of the Supervisory Board of SID, Lek, and Severstal. He is also the chairman of the IEDC Business School, Bled, and a member of the McKinsey Global Institute Advisory Council. In 2002, he was also a member of the Federal Committee for the restructuring of the German Employment Agency.

**Maja Makovec Brenčič**, Ph.D., born on May 27<sup>th</sup> 1969, holds a Ph.D. in business administration and organization. She started her career in 1993 in the export department of the IUUV, the Vrhnika leather company. Since mid 1993, she has been employed at the Faculty of Economics, University of Ljubljana, where she currently holds the post of Associate Professor at the department of International Economics and Marketing, and also works as a vice dean in charge of development. She is the chairwoman at the Slovenian Marketing Association, deputy chairwoman of the Advertising Arbitration Court at the Slovenian Advertising Chamber, member of the EMAC executive committee (Europe's largest scientific association from the field of marketing), chairwoman at the Slovenian Marketing Conference (SMC) or member of the SMC Program Committee, member of the Expert Committee of the Golden Thread project, and chairwoman of the Student's Business Conference.

**Keith Charles Miles**, born on November 28<sup>th</sup> 1941, is a Fellow of the Institute of Chartered Accountants in England and Wales. He is in retirement. He holds both Slovenian and British citizenship. He was a director at several British public and non-public joint stock companies. Currently, he is the chairman of the British-Slovene Society and a lecturer on sales, finance, economics, and business administration. He regularly publishes articles in the Žurnal24 daily paper and occasionally in the Finance daily paper. He is active in several other fields both in Slovenia and in Great Britain. He has gained his work experience while being employed at various companies and enterprises, mostly dealing with accounting, treasury, finance, and sales. From 1958 to 1970, he was employed at G. H. FLETCHER & CO (accounting field), as a partner; from 1970 to 1972, he worked at the P & O Group (transport activity) in the strategic accounting division; from 1972 to mid 1973, he worked at the Grindlays Bank Group (banking) as an assistant in the treasury department; from mid 1973 to mid 1983, he worked at Datnow "Group" (investment and sales) as a director; from mid 1983 to mid 1985, he was the director of finance and administration at the Greater London Enterprise Board (investment, local/municipal administration); from mid 1985 to 1988, he was the director of finance and administration at the Cable Authority (regulatory body); from 1988 to mid 1990, he was the director of finance and administration at the Institute of Economic Affairs (academic institution); from mid 1990 to October 1998, he worked at the ETAM PLC (distribution company) as the company secretary and director of finance of the Etam Group. He was also a member of numerous Supervisory Boards, mostly in Great Britain.

**Uroš Slavinec**, born on January 29<sup>th</sup> 1951 holds a B.A. in economics. Since June 1<sup>st</sup> 1990, he has been the Management Board President at Helios Domžale, d. d. He had been employed at this company since the beginning of his career in 1975, to 1986; throughout this period, he was a member of top management in charge of several fields (head of Planning and Analysis Department; member of the Administration Committee; chairman of the Administration Committee). From 1986 to 1990, he was a member of the executive council for Industry and Construction, a part of the Parliament of the Republic of Slovenia. He is also the chairman of the Assembly of the Chamber of Commerce and Industry of Slovenia (CCIS). In 1997, he received the CCIS award for outstanding achievements in business; in 2006, he received the Manager of the Year award.



Two of the above Supervisory Board members perform the function of a Supervisory Board in other companies: Mr. Peter Kraljič is a Supervisory Board member at the companies SID banka, d.d., Ljubljana, Lek, d.d., and Severstal; Mr. Uroš Slavinec is the deputy chairman of the Supervisory Board at Zavarovalnica Triglav (Triglav Insurance Company), d.d.

The issuer declares that it has not been informed that the members of the Management or Supervisory Board were convicted because of fraud or officially and publicly accused or under sanctions of the state bodies in the last five years, or that membership in boards of directors, management or supervisory bodies of any company was judicially prohibited to them. The Issuer has not been informed that members of the management or supervisory board were related to bankruptcies, procedures in bankruptcy or liquidation of companies in the last five years.

## **17.2 Conflict of interests of the management bodies**

In the last financial year the Issuer did not conclude any transaction either with the managing director or members of the supervisory board. In compliance with this fact the Issuer declares that there exists no conflict of interests or any potential conflict of interests between the members of the management board and the supervisory board during the implementation of their function and their personal benefits.

## **18 Salaries, emoluments and dues**

### **18.1 Salaries, emoluments of the Issuer to the members of the Management Board, Supervisory Board and employees working on the basis of individual employment contracts**

#### **Gorenje Group**

In **2009** the companies with the Gorenje Groups paid the following gross salaries to the following groups of persons:

in thousand EUR	Management and management boards of the companies	Supervisory board	Persons working on the basis of individual employment contracts
Salaries	6,184		9,208
Benefits and other receipts	987	59	749
<b>Total</b>	<b>7,171</b>	<b>59</b>	<b>9,957</b>

#### **Holding company Gorenje, d.d.**

In 2009 Gorenje, d.d. paid the following salaries and receipts to the following groups of persons:

#### **Gross receipts in 2009**

In thousand EUR	Management board	Supervisory board	Persons working on the basis of individual employment contracts
- Salaries	1,194		5,222

- Performance bonus			
- Other receipts	94		355
- Meeting fees		56	
- Refund of costs		3	
<b>Total</b>	<b>1,288</b>	<b>59</b>	<b>5,577</b>

#### Net receipts in 2009

in thousand EUR	Management board	Supervisory board	Persons working on the basis of individual employment contracts
- Salaries	542		2,666
- Performance bonus			
- Other receipts	92		331
- Meeting fees		43	
- Refund of costs		2	
<b>Total</b>	<b>634</b>	<b>45</b>	<b>2,997</b>

Total salaries, emoluments and other benefits of the members of the management and supervisory boards and the audit committee are presetned in compliance with the Companies Act.

#### Members of the Management Board

##### Gross receipts in the year 2009

in EUR	Salaries	Performance bonus	Other receipts	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
<b>Total</b>	<b>1,194,023</b>	<b>0</b>	<b>94,262</b>	<b>1,288,285</b>

##### Net receipts in 2009

in EUR	Salaries	Performance bonus	Other receipts	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
<b>Total</b>	<b>542,414</b>	<b>0</b>	<b>92,207</b>	<b>634,621</b>

#### Supervisory board and audit committee

**Gross receipts in 2009**

<b>in EUR</b>	<b>Meeting fee</b>	<b>Performance bonus</b>	<b>Refund costs</b>	<b>of</b>	<b>Total</b>
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
<b>Total</b>	<b>56,082</b>	<b>0</b>	<b>3,207</b>		<b>59,289</b>

**Net receipts in 2009**

in EUR	Meeting fee	Performance bonus	Refund of costs	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
<b>Total</b>	<b>43,462</b>	<b>0</b>	<b>2,407</b>	<b>45,869</b>

The company did not grant any long-term and short-term loans to the members of the management board, members of the supervisory board and innter owners.

## 19 Organisational practice

### 19.1 Beginning and expiry of the term of office of the members of the Management and Supervisory Boards

The management board started its five-year term of office on 18 July 2008 – lasting until 18 July 2013.

The Supervisory Board started its four-year term of office on 18 July 2006 – lasting until 18 July 2010. The new supervisory board will start its term of office on 19 July 2010 lasting until 19 July 2014.

### 19.2 Information about the Issuer's audit committee

The audit committee operates within the competence prescribed in Article 280 of the Companies Act. It consists of the members of the Supervisory Board:

Milan Podpečan, Chairman  
Mag. Gregor Sluga, member  
Mag. Peter Ješovnik, member  
Drago Krenker, member

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

The audit committee operates and discusses topics in compliance with the provisions of the Companies Act. The members of the audit committee receive meeting fees amounting to 80% of the meeting fee for the members of the supervisory board. The audit committee has adopted neither regulations nor rules of procedure, but rules of procedure defining the work of the supervisory board is applied mutatis mutandis.

### ***19.3 Contracts for the services of the members of the Management and Supervisory Boards***

The Issuer declares that there exists no contract for the services of the members of the Management and Supervisory Boards concluded with the Issuer or its any other subsidiary relating to extraordinary dues upon termination of an employment contract.

### ***19.4 Management of the company in compliance with the Code of public limited companies***

The contents of the statements refers to the period from the adoption of the previous statements on observing the Code of public limited companies, i.e. from 23 April 2009 until 16 April 2010 when its contents was formulated and adopted by the Management and Supervisory Boards of the companies of Gorenje, d.d.

Management and Supervisory Boards of the company declare that the Gorenje Group follows the Code of public limited companies in its work and operation that the Ljubljana Stock Exchange, the the Supervisors Asociation of Slovenia, Manager Association adopted on 8 December 2009 and is accessible on websites of the Ljubljana Stock Exchange including some deviations that are presented and explained in further sections.

## 20 Employees

### 20.1 Employee count

The schedule shows the final employee count of the Gorenje Group as at 31 December of 2009, 2008 and 2007.

Division	2009	2008	2007
Home Appliances	8,771	9,306	9,381
Home Interior	963	1,076	1,163
Ecology, Energy and Services	941	941	866
<b>Total</b>	<b>10,675</b>	<b>11,323</b>	<b>11,410</b>

### Employees in the Gorenje Group by geographical location

	2009	2008	2007
Slovenia	73.2%	75.1%	77.8%
Foreign operations	26.8%	24.9%	22.4%

Employee count in Gorenje, d.d. as at 31 December

	2009	2008	2007
Employee count in Gorenje, d.d.	4,835	5,253	5,510

## 20.2 Ownership and right to attractive acquisition of shares

As at 31 December 2009, the shares of Gorenje, d.d. were owned by:

	No. of shares	Ownership interest		No. of shares	Ownership interest	
<b>Total Supervisory Board</b>	<b>14,146</b>	<b>0.1008 %</b>		<b>Total Management Board</b>	<b>13,230</b>	<b>0.0943 %</b>
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 %				

The members of the Management Board and the Supervisory Board were not granted any rights to attractive acquisition or purchase of the Issuer's shares, or any other rights from the ownership of shares other than those granted to other shareholders.

## 20.3 Regulations of employee equity participation

The Issuer has no special regulations in respect of the employee equity participation or employee profit sharing.

## 21 Major Shareholders

### 21.1 Name of shareholders known to the Issuer

The major shareholders of Gorenje, d.d. as at 31 May 2010:

Shareholder	No. of shares	Ownership interest	City	Country
KAPITALSKA DRUŽBA, D.D.	3.534.615	25,19 %	Ljubljana	Slovenia
HOME PRODUCTS EUROPE B.V.	1.070.000	7,63 %	Velp	The Netherlands
INGOR, d.o.o., & co., k.d.	794.473	5,66 %	Ljubljana Črnuče	Slovenia
KD GALILEO	564.984	4,03 %	Ljubljana	Slovenia
RAIFFEISEN ZENTRALBANK AG	469.566	3,35 %	Dunaj	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:	8.146.281	58,06 %		
<b>Total:</b>	<b>14.030.000</b>	<b>100 %</b>		

### 21.2 Voting rights

All shareholders have equal voting rights: the holder of one share is entitled to one vote.

### 21.3 Direct and indirect control

The Issuer is not controlled by any of the shareholders or other institutions.

### 21.4 Regulations known to the Issuer that could affect the change in the control of the Issuer

The Issuer is not aware of any agreements that could affect the change in the control of the Company.



## **22 Related party transactions**

Related party transactions were carried out on the basis of contracts negotiated at arm's length. The transfer prices between related parties are based on independent market prices as defined in the directives of OECD on transfer prices (arm's length principle).

## **23 Financial information on the Issuer's assets and liabilities, financial position, and profit or loss**

The financial statement of the Gorenje Group and Gorenje, d.d. for 2009, 2008, and 2007 have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the Companies Act.

The financial statements presented below have been audited.

## 23.1 Financial statements of Gorenje, d.d.

### 23.1.1 Statement of Financial Position of Gorenje, d.d. for the financial years 2009, 2008 and 2007

in TEUR	2009	2008	2007
<b>ASSETS</b>	<b>775,820</b>	<b>873,840</b>	<b>676,375</b>
<b>Non-current assets</b>	<b>436,865</b>	<b>489,141</b>	<b>340,858</b>
Intangible assets	15,999	17,440	18,243
Property, plant and equipment	172,267	195,692	189,392
Investment property	4,462	4,462	2,698
Investments in subsidiaries	232,375	258,830	113,862
Other non-current investments	1,773	7,444	12,207
Deferred tax assets	9,989	5,273	4,456
<b>Current assets</b>	<b>338,955</b>	<b>384,699</b>	<b>335,517</b>
Inventories	75,215	105,948	93,869
Current investments	87,684	86,817	28,123
Trade receivables	165,181	172,327	200,671
Other current assets	10,442	18,825	12,823
Current tax assets	347	708	0
Cash and cash equivalents	86	74	31
<b>EQUITY AND LIABILITIES</b>	<b>775,820</b>	<b>873,840</b>	<b>676,375</b>
<b>Equity</b>	<b>304,196</b>	<b>312,566</b>	<b>274,785</b>
Share capital	58,546	58,546	58,546
Share premium	140,624	140,624	125,851
Legal reserves and statutory reserves	21,697	21,697	45,034
Retained earnings	87,975	94,059	64,660
Fair value reserve	-1,476	810	8,387
Own shares	-3,170	-3,170	-27,693
<b>Non-current liabilities</b>	<b>171,783</b>	<b>221,990</b>	<b>138,724</b>
Provisions	26,113	24,187	26,212
Deferred tax liabilities	1,480	2,087	1,886
Non-current financial liabilities	144,190	195,716	110,626
<b>Current liabilities</b>	<b>299,841</b>	<b>339,284</b>	<b>262,866</b>
Current financial liabilities	136,792	162,727	63,221
Trade payables	143,918	160,692	177,265
Other current liabilities	19,131	15,865	22,117
Current tax liabilities		0	263

**23.1.2 Income Statement of Gorenje, d.d. for the financial years 2009, 2008 and 2007**

in TEUR	2009	2008	2007
<b>Revenue</b>	<b>586,643</b>	<b>764,106</b>	<b>831,273</b>
Changes in inventories	-13,069	2,043	4,988
Other operating income	13,573	11,196	11,470
<b>Gross profit</b>	<b>587,147</b>	<b>777,345</b>	<b>847,731</b>
Cost of goods, materials and services	-458,817	-613,986	-681,699
Employee benefits expense	-100,769	-110,305	-107,623
Amortisation and depreciation expense	-32,801	-35,605	-33,991
Other operating expenses	-4,575	-3,355	-4,154
<b>Results from operating activities</b>	<b>-9,815</b>	<b>14,094</b>	<b>20,264</b>
Finance income	26,835	24,973	11,629
Finance expenses	-25,760	-27,183	-16,554
Net finance income	1,075	-2,210	-4,925
<b>Profit before income tax</b>	<b>-8,740</b>	<b>11,884</b>	<b>15,339</b>
Income tax expense	2,656	88	-2,127
<b>Profit for the period</b>	<b>-6,084</b>	<b>11,972</b>	<b>13,212</b>
Basic and diluted earnings per share (in EUR)	-0.44	0.89	1.18

**Statement of comprehensive income of Gorenje, d.d.**

in TEUR	2009	2008
<b>Net profit or loss for the period</b>	<b>-6,084</b>	<b>11,972</b>
<b>Other comprehensive income</b>		
Change in fair value of land	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	-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	-1,611	-84
Income tax on other comprehensive income	2,668	-200
<b>Other comprehensive income for the period</b>	<b>-2,286</b>	<b>-7,577</b>
<b>Total comprehensive income for the period</b>	<b>-8,370</b>	<b>4,395</b>

**23.1.3 Statement of Cash Flows of Gorenje, d.d. for the financial years 2009, 2008 and 2007**

	in TEUR	2009	2008	2007
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Profit for the period	-6,084	11,972	13,212
	Adjustments for:			
	Depreciation of property, plant and equipment	29,516	31,773	31,083
	Amortisation of intangible assets	3,285	3,832	2,903
	Investment income	-26,835	-24,973	-11,629
	Finance expenses	25,760	22,790	16,554
	Gain on sale of property, plant and equipment	-40	-586	-1,199
	Gain from revaluation of investment property	0	-2,154	0
	Income tax expense	-2,656	-88	2,127
	<b>Operating profit before changes in net operating current assets and provisions</b>	<b>22,946</b>	<b>42,566</b>	<b>53,056</b>
	Change in trade and other receivables	12,613	24,884	-6,329
	Change in inventories	30,732	-12,079	-5,448
	Change in provisions	1,925	-2,025	-449
	Change in trade and other liabilities	-13,510	-22,622	-6,215
	<b>Cash generated from operations</b>	<b>31,760</b>	<b>-11,842</b>	<b>-18,441</b>
	Interest paid	-15,901	-17,598	-12,725
	Income taxes paid	489	-1,540	-1,346
	<b>Net cash from operating activities</b>	<b>39,294</b>	<b>11,586</b>	<b>20,544</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Proceeds from sale of property, plant and equipment	339	1,946	4,316
	Interest received	8,378	5,924	3,808
	Dividends received	6,322	7,443	2,673
	Disposal of available-for-sale investments	42,685	789	2,032
	Disposal of subsidiary, net of cash disposed of	-5,000	-107,483	-18,890
	Acquisition of subsidiary, net of cash acquired	-6,745	-33,196	-32,139
	Acquisition of property, plant and equipment	-3,881	-52,380	-16,186
	Loans	-1,844	-3,035	-3,801
	Acquisition of other investments	<b>40,254</b>	<b>-179,992</b>	<b>-58,187</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Repurchase of own shares			54,900
	Borrowings / Repayment of borrowings	0	-112	
	Dividends and premiums paid	-79,536	174,471	-13,018
	<b>Net cash used in financing activities</b>	<b>0</b>	<b>-5,910</b>	<b>-4,736</b>
	Net increase in cash and cash equivalents	<b>-79,536</b>	<b>168,449</b>	<b>37,146</b>
	Cash and cash equivalents at beginning of period	12	43	-497
	Cash and cash equivalents at end of period	74	31	528
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>86</b>	<b>74</b>	<b>31</b>

**23.1.4 Statement of Changes in Equity of Gorenje, d.d. for the financial years 2009, 2008 and 2007**

**Year 2009**

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
<b>Opening balance at 1 Jan 2009</b>	<b>58,546</b>	<b>140,624</b>	<b>21,697</b>	<b>94,059</b>	<b>-3,170</b>	<b>810</b>	<b>312,566</b>
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
<b>Closing balance at 31 December 2009</b>	<b>58,546</b>	<b>140,624</b>	<b>21,697</b>	<b>87,975</b>	<b>-3,170</b>	<b>-1,476</b>	<b>304,196</b>

**Year 2008**

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
<b>Opening balance at 1 Jan 2008</b>	<b>58,546</b>	<b>125,851</b>	<b>45,034</b>	<b>64,660</b>	<b>-27,693</b>	<b>8,387</b>	<b>274,785</b>
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
<b>Closing balance at 31 Dec 2008</b>	<b>58,546</b>	<b>140,624</b>	<b>21,697</b>	<b>94,059</b>	<b>-3,170</b>	<b>810</b>	<b>312,566</b>

**Year 2007**

in TEUR	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
<b>Opening balance at 1 Jan 2007</b>	<b>50,910</b>	<b>78,587</b>	<b>43,713</b>	<b>57,724</b>	<b>-27,693</b>	<b>5,989</b>	<b>209,230</b>
Fair value reserve (investments)						3,222	3,222
Fair value reserve (cash flow hedge)							
Deferred tax liabilities				-219		-824	-1,043
<b>Total revenue and expenses recognised directly in equity</b>				-219		2,398	2,179
Net profit or loss for the period				13,212			13,212
<b>Total revenue and expenses</b>				12,993		2,398	15,391
Capital increase	7,636	47,264					54,900
Creation of statutory reserves			1,321	-1,321			
Dividend payout				-4,628			-4,628
Remuneration of the Supervisory Board under the resolution of the Shareholders' Meeting				-108			-108
<b>Closing balance at 31 Dec 2007</b>	<b>58,546</b>	<b>125,851</b>	<b>45,034</b>	<b>64,660</b>	<b>-27,693</b>	<b>8,387</b>	<b>274,785</b>

## 23.2 Consolidated financial statements of the Gorenje Group

### 23.2.1 Consolidated statement of financial position of the Gorenje Group for the financial years 2009, 2008 and 2007

in TEUR	2009	2008	2007
<b>ASSETS</b>	<b>1,178,677</b>	<b>1,257,732</b>	<b>1,000,788</b>
<b>Non-current assets</b>	<b>574,307</b>	<b>606,027</b>	<b>448,694</b>
Intangible assets	161,560	162,986	25,094
Property, plant and equipment	382,801	412,953	384,791
Investment property	7,802	7,090	10,174
Non-current investment	6,614	12,721	19,217
Deferred tax assets	0	0	12
<b>Non-current assets</b>	<b>15,530</b>	<b>10,277</b>	<b>9,406</b>
<b>Current assets</b>	<b>604,370</b>	<b>651,705</b>	<b>552,094</b>
Assets classified as held for sale	1,137	954	1,062
Inventories	217,981	253,004	217,471
Current investments	68,218	64,470	27,110
Trade receivables	251,740	262,017	258,535
Other current assets	35,796	43,866	27,904
Current tax assets	2,368	3,279	2,328
Cash and cash equivalents	27,130	24,115	17,684
<b>EQUITY AND LIABILITIES</b>	<b>1,178,677</b>	<b>1,257,732</b>	<b>1,000,788</b>
<b>Equity</b>	<b>369,644</b>	<b>394,522</b>	<b>350,985</b>
Share capital	58,546	58,546	58,546
Capital surplus (share premium)	158,487	158,487	143,714
Legal and statutory reserves	21,697	21,697	45,043
Retained earnings	97,788	110,324	84,025
Own shares	-3,170	-3,170	-27,693
Translation reserve	17,405	20,308	14,541
Fair value reserve	12,822	15,087	21,960
<b>Equity attributable to equity holders of the parent</b>	<b>363,575</b>	<b>381,279</b>	<b>340,127</b>
<b>Minority interest</b>	<b>6,069</b>	<b>13,243</b>	<b>10,858</b>
<b>Non-current liabilities</b>	<b>311,313</b>	<b>294,893</b>	<b>208,683</b>
Provisions	62,158	55,366	51,653
Provisions created from government grants	1,211	8,936	8,717
Deferred tax liabilities	5,585	6,472	3,211
Non-current financial liabilities	242,359	224,119	145,102
<b>Current liabilities</b>	<b>497,720</b>	<b>568,317</b>	<b>441,120</b>
Current financial liabilities	209,883	263,676	167,413
Trade payables	196,296	223,660	220,261
Other current liabilities	87,260	79,164	51,546
Current tax liabilities	4,281	1,817	1,900



### 23.2.2 Consolidated income statement of the Gorenje Group for the financial years 2009, 2008 and 2007

in TEUR	2009	2008	2007
<b>Revenue</b>	<b>1,185,937</b>	<b>1,330,753</b>	<b>1,293,438</b>
Changes in inventories	-12,119	6,318	16,145
Other operating income	33,254	26,341	25,365
<b>Gross profit</b>	<b>1,207,072</b>	<b>1,363,412</b>	<b>1,334,948</b>
Cost of goods, materials and services	-901,146	-1,023,864	-1,015,739
Employee benefits expense	-219,323	-226,487	-208,553
Amortisation and depreciation expense	-56,050	-57,121	-53,211
Other operating expenses	-18,404	-19,047	-17,799
<b>Results from operating activities</b>	<b>12,149</b>	<b>36,893</b>	<b>39,646</b>
Finance income from interests in associates			8
Finance income	19,516	19,603	18,455
Finance expenses	-40,973	-41,023	-28,709
Net finance expense	-21,457	-21,420	-10,254
<b>Profit or loss before income tax</b>	<b>-9,308</b>	<b>15,473</b>	<b>29,400</b>
Income tax expense	-2,924	-5,292	-5,736
<b>Profit or loss for the period</b>	<b>-12,232</b>	<b>10,181</b>	<b>23,664</b>
Attributable to minority interest	-728	1,309	992
Attributable to equity holders of the parent	-11,504	8,872	22,672
Basic and diluted earnings per share (in EUR)	-0.83	0.66	2.03

**Statement of Comprehensive Income of the Gorenje Group**

in TEUR	2009	2008
<b>Net profit or loss for the period</b>	<b>-12,232</b>	<b>10,181</b>
<b>Other comprehensive income</b>		
Change in fair value of land	-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	-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	-1,611	-84
Income tax on other comprehensive income	2,663	-1,164
Translation reserve	-2,903	5,767
<b>Other comprehensive income for the period</b>	<b>-5,233</b>	<b>-985</b>
<b>Total comprehensive income for the period</b>	<b>-17,465</b>	<b>9,196</b>
Attributable to equity holders of the parent	-16,737	7,887
Attributable to minority interest	-728	1,309

### 23.2.3 Consolidated statement of cash flows of the Gorenje Group for the financial years 2009, 2008 in 2007

	in TEUR	2009	2008	2007
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Profit for the period	-12,232	10,181	23,664
	Adjustments for:			
	Depreciation of property, plant and equipment	50,061	51,900	49,788
	Amortisation of intangible assets	5,989	5,221	3,423
	Investment income	-19,516	-19,603	-18,455
	Finance expenses	40,973	41,023	25,296
	Share of associates in profit or loss			-8
	Gain on sale of property, plant and equipment	-416	-1,807	-1,983
	Gain from revaluation of investment property	0	-2,566	0
	Income tax expense	2,924	5,292	5,736
	<b>Operating profit before changes in net operating current assets and provisions</b>	<b>67,783</b>	<b>89,641</b>	<b>88,172</b>
	Change in trade and other receivables	6,579	-17,336	-14,847
	Change in inventories	35,023	-35,533	-24,769
	Change in provisions	-933	3,932	4,009
	Change in trade and other liabilities	-19,267	31,017	-3,321
	<b>Cash generated from operations</b>	<b>21,402</b>	<b>-17,920</b>	<b>-39,028</b>
	Interest paid	-21,223	-26,019	-19,534
	Income taxes paid	-2,385	-6,786	-5,338
	Income from damages			1,850
	<b>Net cash from operating activities</b>	<b>65,577</b>	<b>38,916</b>	<b>26,122</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Proceeds from sale of property, plant and equipment	1,517	2,398	4,502
	Proceeds from sale of investments	5,598	6,208	0
	Interest received	4,153	7,208	4,095
	Dividends received	373	1,048	1,701
	Disposal of subsidiary, net of cash disposed of	263	641	4,288
	Acquisition of subsidiary, net of cash acquired	0	-95,011	-6,109
	Acquisition of property, plant and equipment	-24,198	-71,289	-69,428
	Acquisition of other investments	-2,630	-37,023	1,222
	Acquisition of intangible assets	-4,534	-5,518	-4,678
	<b>Net cash used in investing activities</b>	<b>-19,458</b>	<b>-191,338</b>	<b>-64,407</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Increase in capital			54,900
	Repurchase of minority interest	-7,551	0	
	Repurchase of own shares and interests	0	-112	0
	Borrowings / Repayment of borrowings	-35,553	164,875	-3,241
	Dividends and premiums paid	0	-5,910	-4,736
	<b>Net cash used in financing activities</b>	<b>-43,104</b>	<b>158,853</b>	<b>49,923</b>
	Net increase in cash and cash equivalents	3,015	6,431	8,638
	Cash and cash equivalents at beginning of period	24,115	17,684	9,046
	Cash and cash equivalents at end of period	27,130	24,115	17,684

## 23.2.4 Statement of changes in equity of the Gorenje Group for the financial years 2009, 2008 and 2007

### Year 2009

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
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,504</b>	<b>0</b>	<b>-2,903</b>	<b>-2,330</b>	<b>-16,737</b>	<b>-728</b>	<b>-17,465</b>
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Payment of dividends										
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
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
<b>Total changes in ownership interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,032</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>-967</b>	<b>-6,446</b>	<b>-7,413</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,032</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>-967</b>	<b>-6,446</b>	<b>-7,413</b>
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

**Year 2008**

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
<b>Opening balance at 1 Jan 2008</b>	<b>58,546</b>	<b>143,714</b>	<b>45,034</b>	<b>84,025</b>	<b>-27,693</b>	<b>14,541</b>	<b>21,960</b>	<b>340,127</b>	<b>10,858</b>	<b>350,985</b>
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
<b>Total comprehensive income for the period</b>				<b>8,872</b>		<b>5,767</b>	<b>-6,752</b>	<b>7,887</b>	<b>1,309</b>	<b>9,196</b>
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
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>14,773</b>	<b>-23,337</b>	<b>17,427</b>	<b>24,523</b>	<b>0</b>	<b>0</b>	<b>33,386</b>	<b>0</b>	<b>33,386</b>
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
<b>Total changes in ownership interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-121</b>	<b>-121</b>	<b>1,076</b>	<b>955</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>14,773</b>	<b>-23,337</b>	<b>17,427</b>	<b>24,523</b>	<b>0</b>	<b>-121</b>	<b>33,265</b>	<b>1,076</b>	<b>34,341</b>
<b>Closing balance at 31 December 2008</b>	<b>58,546</b>	<b>158,487</b>	<b>21,697</b>	<b>110,324</b>	<b>-3,170</b>	<b>20,308</b>	<b>15,087</b>	<b>381,279</b>	<b>13,243</b>	<b>394,522</b>

**Year 2007**

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
<b>Opening balance at 1 Jan 2007</b>	<b>50,910</b>	<b>96,450</b>	<b>43,713</b>	<b>67,629</b>	<b>-27,693</b>	<b>15,556</b>	<b>7,619</b>	<b>254,184</b>	<b>249</b>	<b>254,433</b>
Fair value reserve (investments)							3,222	3,222		3,222
Fair value reserve (land)							10,797	10,797		10,797
Translation reserve						-1,015		-1,015		-1,015
Deferred tax liabilities				-219			322	103		103
<b>Total revenue and expenses recognised directly in equity</b>				<b>-219</b>		<b>-1,015</b>	<b>14,341</b>	<b>13,107</b>		<b>13,107</b>
Net profit or loss for the period				22,672				22,672	992	23,664
<b>Total revenue and expenses</b>				<b>22,453</b>		<b>-1,015</b>	<b>14,341</b>	<b>35,779</b>	<b>992</b>	<b>36,771</b>
Capital increase	7,636	47,264						54,900		54,900
Creation of statutory reserves			1,321	-1,321				0		0
Dividend payout				-4,627				-4,627		-4,627
Remuneration of the Supervisory Board under the resolution of the Shareholders' Meeting				-109				-109		-109
Increase in minority interest									9,617	9,617
<b>Closing balance at 31 Dec 2007</b>	<b>58,546</b>	<b>143,714</b>	<b>45,034</b>	<b>84,025</b>	<b>-27,693</b>	<b>14,541</b>	<b>21,960</b>	<b>340,127</b>	<b>10,858</b>	<b>350,985</b>

## 23.3 Financial reports

The Annual Reports of the Gorenje Group are available for viewing on the website of the Gorenje Group under: [http://www.gorenjegroup.com/si/odnosi\\_z\\_investitorji/letna\\_porocila](http://www.gorenjegroup.com/si/odnosi_z_investitorji/letna_porocila)

## 23.4 Auditor's reports

### 23.4.1 Auditor's Report on the financial statements of Gorenje, d.d. for the years 2009, 2008 and 2007



#### 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.

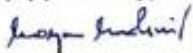
  
Dario Bulovec, B.Sc.Ec.

Certified Auditor

Ljubljana, 2 April 2010

KPMG SLOVENIJA,

podjetje za reviziranje, d.o.o.



Marjan Mahnič, B.Sc.Ec.

Certified Auditor

Partner

KPMG Slovenija, d.o.o.



## Independent Auditor's Report

To the Shareholder's of Gorenje, d.d., Velenje

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Gorenje, d.d., Velenje, which comprise the balance sheet as at 31 December 2008, the income statement, 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making these risk assessments, we consider 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 principles 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 opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Gorenje, d.d., Velenje as at 31 December 2008, the result of its operations 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 Slovenia's Companies Act we herewith confirm that the information in the management report is in conformity with the audited financial statements.

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

Ljubljana, 6 April 2009

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

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

*KPMG Slovenija, d.o.o.*





## 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 balance sheet as at 31 December 2007, the income statement, 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.

We also read the Management Report.

#### *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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles 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 opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, the result of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Management Report is in conformity with the audited financial statements.

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

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

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

Ljubljana, 10 April 2008

*KPMG Slovenija, d.o.o.*  
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## 23.4.2 Auditor's Report on the consolidated financial statements of the Gorenje Group for the years 2009, 2008 and 2007



### 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. These 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.

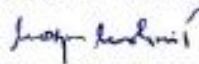
#### *Report on other legal and regulatory requirements*

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.

  
Danilo Bakovec, B.Sc.Ec.  
Certified Auditor

Ljubljana, 2 April 2010

KPMG SLOVENIJA,  
podjetje za reviziranje, d.o.o.

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

KPMG Slovenija, d.o.o.  
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## Independent Auditor's Report

### To the Shareholder's of Gorenje, d.d., Velenje

We have audited the accompanying consolidated financial statements of the Gorenje, d.d., and its subsidiaries (Gorenje Group) which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, 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 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles 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 opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Gorenje Group as at 31 December 2008, the consolidated result of its operations and its consolidated 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 Slovenia's Companies Act we herewith confirm that the information in the management report is in conformity with the audited consolidated financial statements.

  
Danilo Bukovec, B.Sc.Ec.  
Certified Auditor

Ljubljana, 6 April 2009

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

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

KPMG Slovenija, d.o.o.  
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## Independent Auditor's Report

### To the Shareholders of Gorenje, d.d., Velenje

We have audited the accompanying consolidated financial statements of the Gorenje, d.d., and its subsidiaries (Gorenje Group) which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, 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.

We also read the Management Report.

#### *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 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 principles 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 opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2007, the consolidated result of its operations and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

The Management Report is in conformity with the audited consolidated financial statements.

Danilo Bukevec, B.Sc.Ec.

*Certified Auditor*

**KPMG SLOVENIJA,**

podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.

*Certified Auditor*

*Partner*

Ljubljana, 10 April 2008

*KPMG Slovenija, d.o.o.*

### **23.5 Interim financial information – first quarter 2010**

The Interim report of the non-audited non-consolidated Interim report of Gorenje, d. d., and non-audited consolidated Interim report of the Gorenje Group for the period January – March 2010 is published on 26<sup>th</sup> of May 2010 by the company Gorenje, d.d., Partizanska 12, Si-3503 Velenje, Slovenia, as provided by the Regulations of the Ljubljana Stock Exchange (Ljubljanska borza vrednostnih papirjev, d. d.), and the Securities Market Act. The report could be found on-line at: [http://www.gorenjegroup.com/si/odnosi\\_z\\_investitorji/medletna\\_porocila](http://www.gorenjegroup.com/si/odnosi_z_investitorji/medletna_porocila)

## 23.5.1 Non-consolidated financial statements of Gorenje, d.d. – interim report

### Statement of financial position of Gorenje, d.d.

in EUR thousand	31 Mar 2010	31 Mar 2009
<b>ASSETS</b>	<b>766,412</b>	<b>833,984</b>
<b>Non-current assets</b>	<b>430,886</b>	<b>482,159</b>
Intangible assets	15,385	16,748
Property, plant and equipment	167,271	189,753
Investment property	4,462	4,462
Investments in subsidiaries	232,375	258,830
Other non-current investments	1,607	7,332
Deferred tax assets	9,786	5,034
<b>Current assets</b>	<b>335,526</b>	<b>351,825</b>
Inventories	87,772	95,386
Current investments	73,042	83,651
Trade receivables	161,801	158,336
Other current assets	12,775	14,285
Cash and cash equivalents	136	167
<b>EQUITY AND LIABILITIES</b>	<b>766,412</b>	<b>833,984</b>
<b>Equity</b>	<b>301,621</b>	<b>301,507</b>
Share capital	58,546	58,546
Share premium	140,624	140,624
Legal reserves and statutory reserves	21,697	21,697
Retained earnings	88,054	82,064
Own shares	-3,170	-3,170
Fair value reserve	-4,130	1,746
<b>Non-current liabilities</b>	<b>185,534</b>	<b>218,199</b>
Provisions	26,961	23,940
Deferred tax liabilities	1,393	1,958
Non-current financial liabilities	157,180	192,301
<b>Current liabilities</b>	<b>279,257</b>	<b>314,278</b>
Current financial liabilities	123,255	184,746
Trade payables	126,056	105,153
Other current liabilities	29,946	24,379

## Income statement of Gorenje, d.d.

in EUR thousand	Q1 2010	Q1 2009
Revenue	148,777	145,277
Changes in inventories	6,396	-4,528
Other operating income	1,607	2,173
<b>Gross revenue</b>	<b>156,780</b>	<b>142,922</b>
Cost of goods, materials and services	-120,445	-118,814
Other operating expenses	-641	-705
<b>ADDED VALUE</b>	<b>35,694</b>	<b>23,403</b>
Employee benefits expense	-25,415	-23,450
<b>EBITDA</b>	<b>10,279</b>	<b>-47</b>
Amortisation and depreciation expense	-7,426	-8,476
<b>EBIT</b>	<b>2,853</b>	<b>-8,523</b>
Finance income	1,861	2,476
Finance expenses	-3,891	-5,711
<b>Profit before tax</b>	<b>823</b>	<b>-11,758</b>
Income tax expense	-744	-237
<b>Profit for the period</b>	<b>79</b>	<b>-11,995</b>
<b>Basic and diluted earnings per share (in EUR)</b>	<b>0.02</b>	<b>-3,45</b>

## Statement of comprehensive income of Gorenje, d.d.

in EUR thousand	Q1 2010	Q1 2009
<b>Net profit or loss for the period</b>	<b>79</b>	<b>-11,995</b>
<b>Other comprehensive income</b>		
Net change in fair value of available-for-sale financial assets	-82	-163
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge	-3,201	1,453
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	0	-483
Income tax on other comprehensive income	629	129
<b>Other comprehensive income for the period</b>	<b>-2,654</b>	<b>936</b>
<b>Total comprehensive income for the period</b>	<b>-2,575</b>	<b>-11,059</b>

**Cash flow statement of Gorenje, d.d.**

in EUR thousand	Q1 2010	Q1 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>79</b>	<b>-11,995</b>
Adjustments for:		
Depreciation of property, plant and equipment	6,597	7,631
Amortisation of intangible assets	829	845
Investment income	-1,861	-2,476
Finance expenses	3,891	5,711
Gain on sale of property, plant and equipment	-14	-63
Income tax expense	744	237
<b>Operating profit before changes in net operating current assets and provisions</b>	<b>10,265</b>	<b>-110</b>
Change in trade and other receivables	254	19,624
Change in inventories	-12,557	10,562
Change in provisions	848	-247
Change in trade and other liabilities	-7,047	-46,577
<b>Cash generated from operations</b>	<b>-18,502</b>	<b>-16,638</b>
Interest paid	-2,248	-3,510
Income taxes paid	0	-385
<b>Net cash from operating activities</b>	<b>-10,485</b>	<b>-20,643</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	508	85
Dividends received	4	
Disposal of available-for-sale investments	1,140	0
Interest received	766	694
Acquisition of property, plant and equipment	-1,657	-1,869
Other investments	13,816	2,075
Acquisition of intangible assets	-218	-144
<b>Net cash used in investing activities</b>	<b>14,359</b>	<b>841</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings / Repayment of borrowings	-3,824	19,895
<b>Net cash used in financing activities</b>	<b>-3,824</b>	<b>19,895</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase in cash and cash equivalents	50	93
Cash and cash equivalents at beginning of period	86	74
Cash and cash equivalents at end of period	136	167



**Statement of changes in equity of Gorenje, d.d.**

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
<b>Opening balance at 1 Jan 2010</b>	58,546	140,624	21,697	87,975	-3,170	-1,476	304,196
Total comprehensive income for the period							0
Net profit or loss for the period				79			79
Total other comprehensive income						-2,654	-2,654
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>79</b>	<b>0</b>	<b>-2,654</b>	<b>-2,575</b>
Transactions with owners (when acting as owners) recognised directly in equity							0
Contributions by owners and distributions to owners							0
Payment of dividends							0
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance at 31 Mar 2010</b>	<b>58,546</b>	<b>140,624</b>	<b>21,697</b>	<b>88,054</b>	<b>-3,170</b>	<b>-4,130</b>	<b>301,621</b>

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
<b>Opening balance at 1 Jan 2009</b>	58,546	140,624	21,697	94,059	-3,170	810	312,566
Total comprehensive income for the period							0
Net profit or loss for the period				-11,995			-11,995
Total other comprehensive income						936	936
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11,995</b>	<b>0</b>	<b>936</b>	<b>-11,059</b>
Transactions with owners (when acting as owners) recognised directly in equity							0
Contributions by owners and distributions to owners							0
Payment of dividends							0
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing balance at 31 Mar 2009</b>	<b>58,546</b>	<b>140,624</b>	<b>21,697</b>	<b>82,064</b>	<b>-3,170</b>	<b>1,746</b>	<b>301,507</b>

## 23.5.2 Non-consolidated financial statements of Gorenje Group – interim report

### Consolidated statement of financial position of the Gorenje Group

in EUR thousand	31 Mar 2010	31 Mar 2009
<b>ASSETS</b>	<b>1,174,848</b>	<b>1,201,751</b>
<b>Non-current assets</b>	<b>565,530</b>	<b>592,987</b>
Intangible assets	160,523	161,881
Property, plant and equipment	375,797	399,185
Investment property	7,848	9,742
Investments in subsidiaries	6,495	12,622
Other non-current investments	14,867	9,557
Deferred tax assets	<b>609,318</b>	<b>608,764</b>
<b>Current assets</b>	<b>1,099</b>	<b>954</b>
Inventories	237,422	239,667
Current investments	53,999	61,974
Trade receivables	259,909	252,443
Other current assets	38,864	44,127
Cash and cash equivalents	18,025	9,599
<b>EQUITY AND LIABILITIES</b>	<b>1,174,848</b>	<b>1,201,751</b>
<b>Equity</b>	<b>365,546</b>	<b>376,241</b>
Share capital	58,546	58,546
Capital surplus (share premium)	158,487	158,487
Legal and statutory reserves	21,697	21,697
Retained earnings	98,202	96,131
Own shares	-3,170	-3,170
Translation reserve	15,432	15,822
Fair value reserve	10,168	16,145
<b>Equity attributable to equity holders of the parent</b>	<b>359,362</b>	<b>363,658</b>
<b>Minority interest</b>	<b>6,184</b>	<b>12,583</b>
<b>Non-current liabilities</b>	<b>326,118</b>	<b>296,117</b>
Provisions	64,801	55,003
Provisions from government grant	1,195	8,761
Deferred tax liabilities	5,269	6,162
Non-current borrowings	254,853	226,191
<b>Current liabilities</b>	<b>483,184</b>	<b>529,393</b>
Current borrowings	216,186	289,634
Trade payables	172,037	164,648
Other liabilities	94,961	75,111

## Consolidated income statement of the Gorenje Group

in EUR thousand	Q1 2010	Q1 2009
Revenue	290,951	286,613
Changes in inventories	18,008	-7,108
Other operating income	3,987	4,181
<b>Gross revenue</b>	<b>312,946</b>	<b>283,686</b>
Cost of goods, materials and services	-232,980	-221,076
Other operating expenses	-3,690	-3,302
<b>ADDED VALUE</b>	<b>76,276</b>	<b>59,308</b>
Employee benefits expense	-55,193	-52,173
<b>EBITDA</b>	<b>21,083</b>	<b>7,135</b>
Amortisation and depreciation expense	-13,316	-14,164
<b>EBIT</b>	<b>7,767</b>	<b>-7,029</b>
Finance income	4,263	2,352
Finance expenses	-9,768	-8,726
<b>Profit before tax</b>	<b>2,262</b>	<b>-13,403</b>
Income tax expense	-1,745	-1,339
<b>Profit for the period</b>	<b>517</b>	<b>-14,742</b>
<b>Attributable to minority interest</b>	<b>103</b>	<b>-549</b>
<b>Attributable to equity holders of the parent</b>	<b>414</b>	<b>-14,193</b>
<b>Basic and diluted earnings per share (in EUR)</b>	<b>0.12</b>	<b>-4.08</b>

## Statement of comprehensive income of Gorenje Group

in EUR thousand	Q1 2010	Q1 2009
<b>Net profit for the period</b>	<b>517</b>	<b>-14,742</b>
<b>Other comprehensive income</b>		
Change in fair value of lands		
Net change in fair value of available-for-sales financial instruments	-82	-163
Net change in fair value of available-for-sales financial instruments, transferred in profit		
Effective portion of changes in profit/loss on cash flow hedge	-3,201	1,454
Effective portion of changes in profit/loss on cash flow hedge, transferred in profit		-483
Income tax on other comprehensive income	629	129
Translation reserve	-1,973	-4,365
<b>Other comprehensive profit for the period</b>	<b>-4,627</b>	<b>-3,428</b>
<b>Total comprehensive profit for the period</b>	<b>-4,110</b>	<b>-18,170</b>
Attributable to equity holders of the parent	-4,213	-17,621
Attributable to minority interest	103	-549

**Consolidated cash flow statement of the Gorenje Group**

in EUR thousand	Q1 2010	Q1 2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the period</b>	<b>517</b>	<b>-14,742</b>
Adjustments for:		
Depreciation of property, plant and equipment	11,578	12,530
Amortisation of intangible assets	1,738	1,634
Investment income	-4,263	-2,352
Finance expenses	9,768	8,726
Gain on sale of property, plant and equipment	-152	-148
Revenues from sales of PPE	1,745	1,339
Outcome tax expense	<b>20,931</b>	<b>6,987</b>
<b>Operating profit before changes in net operating current assets and provisions</b>	<b>-12,775</b>	<b>13,312</b>
Change in trade and other receivables	-19,441	13,337
Change in inventories	2,627	-538
Change in provisions	-20,839	-65,192
Change in trade and other liabilities	<b>-50,428</b>	<b>-39,081</b>
<b>Cash generated from operations</b>	<b>-5,060</b>	<b>-5,310</b>
Interest paid	-1,745	-1,339
Income taxes paid	<b>-36,302</b>	<b>-38,743</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property, plant and equipment	167	177
Proceeds from sale of investments	1,140	0
Interest received	683	797
Dividends received	8	0
Acquisition of property, plant and equipment	-3,908	-6,548
Other investments	11,055	2,432
Acquisition of intangible assets	-745	-661
<b>Net cash used in investing activities</b>	<b>8,400</b>	<b>-3,803</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings / Repayment of borrowings	18,797	28,030
<b>Net cash used in financing activities</b>	<b>18,797</b>	<b>28,030</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase/decrease in cash and cash equivalents	-9,105	-14,516
Cash and cash equivalents at beginning of period	27,130	24,115
Cash and cash equivalents at end of period	18,025	9,599

**Consolidated statement of changes in equity of the Gorenje Group**

in EUR thousand	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
<b>Opening balance at 1 Jan 2010</b>	<b>58,546</b>	<b>158,487</b>	<b>21,697</b>	<b>97,788</b>	<b>-3,170</b>	<b>17,405</b>	<b>12,822</b>	<b>363,575</b>	<b>6,069</b>	<b>369,644</b>
Total comprehensive income for the period								<b>0</b>		<b>0</b>
Net profit or loss for the period				414				<b>414</b>	<b>103</b>	<b>517</b>
Total other comprehensive income						-1,973	-2,654	<b>-4,627</b>		<b>-4,627</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>414</b>	<b>0</b>	<b>-1,973</b>	<b>-2,654</b>	<b>-4,213</b>	<b>103</b>	<b>-4,110</b>
Transactions with owners (when acting as owners) recognised directly in equity								<b>0</b>		<b>0</b>
Contributions by owners and distributions to owners								<b>0</b>		<b>0</b>
Payment of dividends								0	0	0
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>0</b>
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interests									12	12
<b>Total changes in ownership interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>12</b>
<b>Closing balance at 31 Mar 2010</b>	<b>58,546</b>	<b>158,487</b>	<b>21,697</b>	<b>98,202</b>	<b>-3,170</b>	<b>15,432</b>	<b>10,168</b>	<b>359,362</b>	<b>6,184</b>	<b>365,546</b>

in EUR thousand	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
<b>Opening balance at 1 Jan 2009</b>	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								0		0
Net profit or loss for the period				-14,193				-14,193	-549	-14,742
Total other comprehensive income						-4,365	937	-3,428		-3,428
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-14,193</b>	<b>0</b>	<b>-4,365</b>	<b>937</b>	<b>-17,621</b>	<b>-549</b>	<b>-18,170</b>
Transactions with owners (when acting as owners) recognised directly in equity								0		0
Contributions by owners and distributions to owners								0		0
Payment of dividends								0	0	0
<b>Total contributions by owners and distributions to owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>
Changes in ownership interests in subsidiaries that do not result in a loss of control									-111	-111
Acquisition of non-controlling interests								0		0
<b>Total changes in ownership interests in subsidiaries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-111</b>	<b>-111</b>
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-111</b>	<b>-111</b>
<b>Closing balance at 31 Mar 2009</b>	<b>58,546</b>	<b>158,487</b>	<b>21,697</b>	<b>96,131</b>	<b>-3,170</b>	<b>15,943</b>	<b>16,024</b>	<b>363,658</b>	<b>12,583</b>	<b>376,241</b>

**Business and geographical segments of Gorenje Group**

in EUR thousand	Home appliances		Home interior		Ecology, Energy and Services		Group	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Revenue from the sale to third parties	214,877	219,721	8,148	10,008	67,926	56,884	290,951	286,613
Inter-segment revenue	879	2,254	2,702	4,159	1,507	2,217	5,088	8,630
Interest income	762	881	7	26	104	90	873	997
Interest expenses	4,830	5,528	25	19	415	353	5,270	5,900
Amortisation and depreciation expense	-11,484	-12,412	-458	-539	-1,374	-1,213	-13,316	-14,164
Operating profit or loss	8,096	-5,526	-1,793	-1,580	1,464	77	7,767	-7,029
Income tax							-1,745	-1,339
Net profit or loss for the period							517	-14,742

in EUR thousand	West		East		Rest of the World		Group	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Revenue from the sale to third parties	107,213	111,580	171,981	163,578	11,757	11,455	290,951	286,613

### **23.6 Dividend policy**

Dividends are paid in the manner stipulated in the Company's Articles of Association and the resolution of the Shareholders' Meeting on appropriation of accumulated profit.

The dividend policy of the Gorenje Group for the period 2010–2013 stipulates that up to one third of the Group's net profit for the period shall be allocated for annual dividend payment.

### **23.7 Legal and arbitration proceedings**

The Issuer is not a party to any major governmental, legal or arbitration proceedings that could have impact on the Issuer's financial position or profitability.

### **23.8A considerable change in the financial and market position of the Issuer**

After the closing date of the last financial period there has been no considerable change in the financial and market position of the issuing company.

## **24 Additional Information**

### **24.1 Shareholders' equity**

#### **24.1.1 Share capital**

The Issuer's share capital has been entered in the court register in the amount of EUR 66,378,217.32. The subscribed share capital has been paid in full.

#### **24.1.2 Issued shares**

The Company's share capital is divided into 15,906,876 ordinary, freely transferable, registered, no par value shares. All shares have been issued in dematerialised form and have been entered in the central register of securities managed by Central Securities Clearing Corporation (KDD).

This Prospectus relates to the issue of 1,876,876 ordinary, freely transferable, registered, no par value shares.

#### **24.1.3 Own shares**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Number of own shares denoted GRVG</b> (31 December)	<b>121,311</b>	121,311	1,183,342

**The balance of own shares** stood at **121,311** shares as of **31 December 2009**, which represented a **0.8647-percent** share in the Company's capital. As of, the balance of own shares also stood at **121,311**, which represented a **0.7626-percent** share in the Company's capital (the balance as of 31



December 2007 stood at 1,183,342 shares, which represented a 8.43-percent share in the Company's capital; the balance of own shares in 2008 was the same). The number of shares in 2007 decreased due to the acquisition of the company ATAG.

#### 24.1.4 Book value of GRVG shares

In EUR	2009	2008	2007
<b>Book value of GRVG share</b> (in EUR) (capital of the holding company) / (number of shares – number of own shares)	21.87	22.47	24.6
<b>Unit price</b> (in EUR)	12.41	10.51	42.42

#### 24.1.5 Convertible securities

The Issuer has not issued any convertible securities.

#### 24.1.6 Restriction of rights arising from shares

The Issuer's Articles of Association do not restrict the voting rights arising from shares.

#### 24.1.7 Approved capital

An increase in the Company's share capital by the amount of approved capital is not provided for in the Issuer's Articles of Association.

#### 24.1.8 Contingent capital increase

An increase in the Company's share capital subject to contingency is not provided for in the Issuer's Articles of Association.

#### 24.1.9 A history of share capital, highlighting information about any changes

The balance of share capital in the periods presented in the historical financial information:

in TEUR	2009	2008	2007
Share capital	58,546	58,546	58,546

In 2007, the share capital of Gorenje, d.d. was increased by 15 percent. In the course of capital increase, all 1,830,000 shares were subscribed and paid in full, of which 76.25 % by the existing shareholders exercising preemptive rights, and 23.75 % by INGOR, d.o.o., which is owned by the Gorenje's broader management. On 9 November 2007, the Company issued the Notification on the change in the share capital of the Company, the number of shares, and the modification of the Articles of Association (Upon the completion of entry in the court register and the payment of new shares of Gorenje, d.d., the Company received the Order of the District Court in Celje, No. Srg 2007/02253, dated 7 November 2007. The respective Order relates to the entry of the change in share capital from EUR 50,909,697.88 to EUR 58,546,152.56, the change in the number of shares from 12,200,000 to 14,030,000, and the modification of the Articles of Association relating to the above mentioned changes.). On 3 December 2007, the shares denoted GRVG were entered in the central register of securities managed by KDD, d.d. (Central Securities Clearing Corporation). On 4 December 2007, the listing of GRVG shares was extended.

## **24.2 Issuer's Articles of Association**

### **24.2.1 Issuer's objects and purposes**

The core business activity of the Issuer is the manufacture of home appliances. The issuer also performs other activities which are, for the most part, inseparably linked to the core business activity, or they are performed in order to improve the utilisation of free capacities, knowledge, and experience.

The Issuer's objectives and intention are, above all, to maximize the value of the Company and to create value for shareholders.

### **24.2.2 Summary of provisions of the Issuer's Articles of Association with respect to the members of the administrative, management and supervisory bodies**

#### **Management Board**

The Company is represented and presented by the Management Board, which is comprised of the president and at least two members, one of them being the workers' director. The term of office of the Management Board is 5 years, with reappointment option.

The Management Board is appointed and recalled by the Supervisory Board. In a resolution adopted by the Supervisory Board, the number of members of the Management Board and their working areas are determined.

The workers director is a member of the Management Board and represents employees' interests in human resources management and in social matters. He/she is not authorised to represent the Company, except if a member of the Management Board is also appointed the workers director.

The president and the members of the Management Board represent the Company individually and without restrictions. When representing the Company, the members of the Management Board take into consideration the relations between the members of the Management Board as defined in the Rules of Procedure of the Management Board.

The Management Board makes decisions within its competence by a simple majority of votes, with each member of the Management Board having one vote.

The remuneration of the Management Board members is to be in appropriate proportion to the competences and responsibilities of each member and the Company's financial situation. In the event of deterioration of the Company's financial situation, when the Company's economic position is threatened, the Supervisory Board may unilaterally decrease the remuneration of the Management Board members.

The Management Board may, when exercising its powers under the legislation in force, the Articles of Association, or a resolution of the Supervisory Board, devolve the performance of certain matters upon individual employees with special powers and responsibilities. It may also devolve the right of representation of the Company upon these employees by means of authorisation and within the area they manage. The Management Board cannot devolve its powers in their entirety.

## **Supervisory Board**

The Company's Supervisory Board comprises ten members.

Six members of the Supervisory Board, who represent shareholders' interests, are elected by the Shareholders' Meeting. Four members of the Supervisory Board, who represent workers' interests, are elected by the workers' council in accordance with the Workers Participation in Management Act and the general acts of the workers' council.

The Supervisory Board members are elected for a period of four years. Their term of office can be renewed without limitations.

The Supervisory Board elects the president among the members of the Supervisory Board who represent shareholders' interests and one or more deputy presidents.

The presence of at least half of the members of the Supervisory Board constitutes a quorum. At least one of the members is to be a workers' representative. The Supervisory Board may validly adopt resolutions without workers' representatives being present if the workers' council has not elected its representatives or if it has not notified the Shareholders' Meeting of their election.

The Supervisory Board adopts resolutions by a simple majority of votes cast. In the event of a tied vote, the president has the casting vote. When the session is conducted by the deputy president for reasons of absence of the president, he/she has the same status as the president.

The Supervisory Board supervises the management of the Company's business. It performs its supervisory function by examining the reports of the Management Board on:

- planned business policy and other business issues of principle;
- the Company's profitability, in particular the return on equity;
- the Company's financial position;
- transactions that might have a significant impact on the Company's profitability and solvency;
- other business issues of the Company and its related companies.

The Supervisory Board also performs other tasks. Particularly, it:

- appoints the president and members of the Management Board and decides on the recall of the Management Board;
- defines the criteria for conclusion of management contracts and the volume of remuneration of the president and members of the Management Board;
- proposes the auditor to the Shareholders' Meeting;
- proposes the resolutions to the Shareholders' Meeting, if so stipulated by law;
- approves the interim dividend;
- harmonizes the wording of the Company's Articles of Association with the valid resolutions of the Shareholders' Meeting;
- performs other tasks.

The president of the Supervisory Board represents the Company against the Management Board members.

The Supervisory Board examines the annual report and the proposal of the Management Board concerning the appropriation of accumulated profit submitted by the Management Board. A written report on the results of examination of the annual report is compiled by the Supervisory Board and presented to the Shareholders' Meeting. The report also states the manner and the scope of examination of the management of the Company's business during the year, and defines the Supervisory Board's position to the Auditor's Report. If the Supervisory Board approves the annual report, the annual report is accepted.

The Supervisory Board is obliged to present its report to the Management Board not later than one month from the date of submission of the annual report. If the Supervisory Board fails to present the report within the additional period of one month set by the Management Board, it shall be deemed that the annual report has not been approved by the Supervisory Board.

The Supervisory Board members are entitled to the remuneration for their regular work at sessions as well as the refund of work-related expenses, as defined in a resolution adopted by the Shareholders' Meeting.

#### **24.2.3 Rights, preferences and restrictions attaching to each class of the existing shares**

All shares of the Issuer are of one class of shares giving all holders the same rights. The only exception are own shares that have no voting rights.

#### **24.2.4 Actions that are necessary to change the rights of holders of the shares, indicating where the conditions are more stringent than is required by law**

The Issuer's Articles of Association do not include any more stringent conditions than required by law in respect of the actions that are necessary to change the rights of holders of the shares.

#### **24.2.5 Conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called, including the conditions of admission**

The Shareholders' Meeting is convened by the Management Board in conformity with the law.

The Management Board is also obliged to convene the Shareholders' Meeting at the request of the Supervisory Board or at the written request of shareholders whose aggregate participating interests come up to not less than one twentieth of the share capital. The shareholders' request must include the purpose and reasons for calling the Shareholders' Meeting.

The Shareholders' Meeting is conducted by the president, who is elected by shareholders by a simple majority on the convener's proposal.

As a rule, the Shareholders' Meeting is convened once a year. The Shareholders' Meeting is held at the corporate seat of the Company or elsewhere if so decided by the Management Board.

The call of the Shareholders' Meeting is published in the newspaper DELO not later than one month prior the session of the Shareholders' Meeting. The call of the Shareholders' Meeting is to include the agenda and the proposals of resolution to individual items of the agenda. The material for the Shareholders' Meeting is available for review at the corporate seat of the Company.

The condition for participation at the Shareholders' Meeting and exercising voting rights is a written notice of participation at the Shareholders' Meeting filed with the Management Board of the Company not later than four days prior to the session of the Shareholders' Meeting.

The shareholder may exercise his/her voting rights directly, i.e. personally or through his/her legal representative, or through proxy authorised in writing to act for the shareholder. Each share gives its holder one vote.

The Shareholders' Meeting adopts resolutions by a majority of votes cast, except in cases when for a particular resolution a different majority of votes cast is required by law or these Articles of Association, or when resolutions are adopted by the represented share capital.

The details of the decision-making process in the Shareholders' Meeting may be specified in the Rules of Procedure of the Shareholders' Meeting.

The Shareholders' Meeting is empowered to decide on:

- the Articles of Association, its amendments and supplements;
- the appropriation of accumulated profit and the grant of discharge of the members of the Management Board and the Supervisory Board;
- the Annual Report in cases stipulated by law;
- the measures for capital increase and capital reduction;
- the appointment of auditor;
- the election and recall of the Supervisory Board members;
- the change in legal form and the winding-up of the Company;
- other matters stipulated by law or these Articles of Association.

When deciding on the appropriation of accumulated profit, the Shareholders' Meeting is bound by the accepted annual report.

The Shareholders' Meeting may decide on the acceptance of the annual report only if the Supervisory Board has not approved the annual report, or if the Management Board and the Supervisory Board assign the decision on the acceptance of the annual report to the Shareholders' Meeting.

If the annual report subject to audit under company law is modified by the Shareholders' Meeting, the annual report is to be re-audited not later than two weeks after the acceptance at the Shareholders' Meeting.

#### **24.2.6 Brief description of any provision of the Issuer's Memorandum and Articles of Association, statutes, charters or bylaws that would have an effect of delaying, deferring or preventing a change in control of the Issuer**

The Issuer's Articles of Association do not include any provision that would determine or have an effect of delaying, deferring or preventing a change in control of the Issuer.

#### **24.2.7 Indication of the Memorandum and Articles of Association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed**

The Issuer's Articles of Association do not include any provision that would govern the ownership threshold above which shareholder ownership must be disclosed.

#### **24.2.8 Description of the conditions imposed by the Memorandum and Articles of Association, statutes, charters or bylaws governing changes in the capital, where such conditions are more stringent than is required by law**

The Issuer's Articles of Association do not include any provisions governing changes in the capital, where conditions are more stringent than is required by law.

## **25 Material Contracts**

The Issuer has not entered into any contract, other than contracts entered into in the ordinary course of business that could have a material impact on its operations.

## **26 Third Party Information and Statement by Experts and Declarations of any Interest**

The Prospectus does not include any third party information or statements by experts or declarations of any interest.

## **27 Documents on Display**

The following documents may be inspected by shareholders in the registered office of the Company every working day from 9 a.m. to 12 a.m., on SEOnet, the electronic information system of the Ljubljana Stock Exchange, and on the Company's website [www.gorenje.com](http://www.gorenje.com):

1. the Articles of Association of the Issuer;
2. the historical annual reports and audited financial statements of the Issuer;
3. if the Issuer's quarterly results are published in the period from the preparation of this Prospectus to its publication, they will be disclosed in an appendix to this Prospectus.

## 28 Information on interests

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

## gorenje

### Gorenje Group

OÜ Gorenje, Estonia	3	0
SIA Gorenje, Latvia	405	0
Gorenje Romania S.R.L., Rumania	386	8
Gorenje aparati za domačinstvo, 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, Ukraina	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., Ukraina	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 Financiële 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 in 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, Rumania	123	1